

SPECIAL MEETING

JOINT SAND CITY COUNCIL AND SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY

THURSDAY, NOVEMBER 18, 2021

9:00 AM

AGENDA
JOINT SAND CITY COUNCIL AND SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY

Special Meeting - Thursday, November 18, 2021
9:00 AM

THIS MEETING WILL BE HELD VIRTUALLY AND IS COMPLIANT WITH ASSEMBLY BILL ("AB") 361, SIGNED INTO LAW ON SEPTEMBER 16, 2021, WHICH AMENDS GOVERNMENT CODE SECTION 54953 TO PROVIDE AUTHORITY FOR PUBLIC AGENCIES TO HOLD VIRTUAL MEETINGS DURING A PROCLAIMED STATE OF EMERGENCY AND REMAIN IN COMPLIANCE WITH THE BROWN ACT (GOV. CODE §§ 54950 ET SEQ.). TO PARTICIPATE IN THE ZOOM COUNCIL MEETING
LIVE:https://us02web.zoom.us/j/4614728829
Meeting ID: 461 472 8829
To participate telephonically by calling the number below:
(669) 900-6833
Meeting ID: 461 472 8829#
If prompted to enter a participant ID, press #

How to submit written Public Comments:
If any member of the public would like to provide written comments at the meeting, please do as set forth below.

Written: All comments received before 8:00 am the day of the meeting will be posted on the City's website as "Correspondence" under the relevant agenda item and provided to the City Council members at the meeting. Please email your comments to connie@sandcityca.org.

Read Aloud During the Meeting: Email your comments to aaron@sandcityca.org when the Mayor opens the public comment period for the relevant agenda item; please indicate the agenda item and title in your email subject line. If you want your comment read aloud, prominently write "Read Aloud at Meeting" at the top of the email and your comments will be read into the record (not to exceed three minutes at staff's cadence).

DURING EACH MEETING, members of the public may participate by calling and speaking live during the designated time(s), subject to time limits that may be imposed pursuant to the Brown Act at the number provided above.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. COMMUNICATIONS

Members of the public may address the City Council/Successor Agency on matters not appearing on the City Council/Successor Agency Agenda at this time for up to three minutes. In order that the

City Clerk may later identify the speaker in the minutes of the meeting, it is helpful if speakers state their names. Public comments regarding items on the scheduled agenda will be heard at the time the item is being considered by the City Council/Successor Agency.

The City Council Chambers podium is equipped with a portable microphone for anyone unable to come to the podium. If you need assistance, please advise the City Clerk as to which item you would like to comment on and the microphone will be brought to you.

5. ORDER OF BUSINESS

5A. Consideration of City RESOLUTION Approving the First Amendment to the Franchise Agreement with Greenwaste Recovery
Staff Report. First Amendment to the Franchise Agreement with Greenwaste Recovery.pdf
Resolution. Approving the First Amendment to the Franchise Agreement with Greenwaste Recovery.pdf

5B. 9:45 AM MEETING ADJOURN TO RE-CONVENE AT PHYSICAL LOCATION: Panera Bread, 2080 California Avenue, Suite C, Sand City, California 93955 Time: 10:00 A.M.
1) Walking Tour of the Monterey-Salinas Transit SURF Busway and Bus Rapid Transit (BRT) Project

6. ADJOURNMENT

The current agenda is available in PDF format on our website at:
www.sandcity.org

If you have a request for a disability-related modification or accommodation, including auxiliary aids or services, which will allow you to participate in a Sand City public meeting, please call the City Clerk at (831) 394-3054 extension 220, or give your written request to the City Clerk at 1 Pendergrass Way, Sand City, CA 93955 at least 48 hours prior to the scheduled meeting to allow the City Clerk time to arrange for the requested modification or accommodation.

AGENDA ITEM
5A.

Consideration of City RESOLUTION Approving the First Amendment to the Franchise Agreement with Greenwaste Recovery

CITY OF SAND CITY

STAFF REPORT

NOVEMBER 1, 2021
(For City Council Review on November 16, 2021)

TO: **Mayor and City Council**

FROM: **Charles Pooler, City Planner**

SUBJECT: **First Amendment to the Franchise Agreement with Greenwaste Recovery**

BACKGROUND

The City of Sand City (the "City") entered into an exclusive franchise with GreenWaste Recovery ("GWR") in 2014 (Resolution SC 14-58) for solid waste, recycling, and organic collection through to the end of March of 2030 (the "Franchise Agreement"). In September of 2016, the State of California legislature adopted Senate Bill (SB) 1383, signed into law by Governor Brown, that empowered CalRecycle to establish regulatory requirements (California Code of Regulations Title 14, Division 7, Chapter 12) applicable to jurisdictions, waste generators, waste haulers, solid waste facilities, and other entities to support the achievement of State-wide organic waste disposal reduction targets to reduce methane emissions.

City staff has been working with other jurisdictions, through the Monterey Regional Waste Management District ("MRWMD") and the MRWMD's Technical Advisory Committee (TAC) with consultations with HF&H Consultants, LLC ("HF&H"), in the development of programs, ordinances, and franchise agreement amendments to address SB 1383 requirements. In addition to SB 1383, GWR submitted a request in May 2021 for a Cost-Base Rate Adjustment review, and then notified the City in September of 2021 of their intention to sell interest in their company to an outside investment firm. A draft amendment for the Franchise Agreement was prepared by HF&H, as consultants to MRWMD's member jurisdictions, and is now being presented for Council consideration and action to address these issues.

DISCUSSION

An amendment to the Franchise Agreement has been negotiated with GWR by City staff and HF&H to address and resolve issues related to 1) SB 1383, 2) a Cost-Based Rate Adjustment (see Exhibit A), 3) the Covid-19 pandemic, and 4) the Change in Control Assignment for GWR (see Exhibits B & C). This First Amendment to the Franchise Agreement effects Articles 1, 4, 5, 6, 7, 8, 10, 12, and 13 in addition to Exhibits A, B1, B2, B3, C, D, E1, E2, G2, and G6 of the Franchise Agreement.

SB 1383:
SB 1383 and California Code of Regulations Title 14 require jurisdictions to implement collection programs, meet processing facility requirements, conduct contamination monitoring, provide education, maintain records, submit reports, monitor compliance, conduct enforcement, and fulfill other requirements that the City does not have the staff capability or expertise by which to comply. The MRWMD will implement the processing requirements that are applicable to their operation in service of their member jurisdictions. As the City's franchised waste hauler, GWR is well suited to implement the collection and reporting activities mandated by SB 1383. In general, the Franchise Agreement currently obligates the collection of 'organic materials' as mandated by SB 1383; however, the current franchise agreement does not include the specific 'scope of work' or definitions that CalRecycle expects to be outlined in franchise agreements. Therefore, amending the Franchise Agreement is necessary for SB 1383 compliance. The current Cal-Recycle/SB 1383 deadline to have franchise agreements and programs in place and effective for compliance is January 1, 2022. Issues related to SB 1383 addressed by the Franchise Agreement amendment are:

1) Collection Services
2) Edible Food Recovery
3) Public Outreach & Education
4) Compliance Inspection & Monitoring
5) Reporting and Records

Collection Services - Collection duties for SB 1383 compliance would be delegated to GWR as the City's hauler. The City is ultimately responsible; however, GWR will logistically be the "boot on the ground" for the City to implement SB 1383. The amendments to the Franchise Agreement will include the SB 1383 specifics as to container availability, container labeling/color identification, and collection services to single-family, multi-family residential, and commercial customers, including construction and demolition materials. Food waste will now be considered "organic waste" destined for composing, not land-filling. This impacts the Franchise Agreement by amending Article 4 (scope of service), Article 5 (standard of performance), and Exhibit A (definitions) of the Agreement.

Edible Food Recovery - One of the components of SB 1383 is edible food recovery. This is a mandatory program that requires food generators (i.e. restaurants, hotels, supermarkets, schools, etc.) to donate edible food, that would otherwise be discarded as trash, to collectors (i.e. Food Bank of Monterey County, etc.) for redistribution to dispensaries that provide for the needy. The Franchise Agreement amendment requires GWR to identify all Tier 1 and Tier 2 commercial edible food generators (see Exhibit A). It should be noted that a sub-committee of the MRWMD TAC is currently working with the Monterey County Health Department and Blue Strike Environmental on developing an inventory of generators, collectors, and dispensaries in order to create/enhance a network for food recovery and distribution. The Franchise Agreement amendment also requires GWR to not interfere with edible food recovery conducted by outside food collection organizations. This impacts the Franchise Agreement by amending Section 4.11.

Public Outreach & Education - The amendment of the Franchise Agreement requires GWR to distribute SB 1383 related informational notices to food waste generators, and specifies the contents of those notices for residential, multi-family, and commercial customers. The MRWMD and its TAC will design such public information for distribution. Under the proposed Franchise Agreement amendment, GWR will be required to provide food generators with information pertaining to SB 1383, the City's food recovery program (still to be developed), a roster of food recovery organizations and services operating within the area, and information on how to prevent food waste. This impacts the Franchise Agreement by amending Section 4.7 (public education & outreach) and Exhibit C of the Agreement.

Compliance Inspection & Monitoring - The Franchise Agreement amendment delegates to GWR the task of inspections and monitoring of residential, multi-family, and commercial waste bins for contamination. Contamination is when an undesirable material is present in a specifically designated material container (i.e. recyclables or organics) that is otherwise prohibited and potentially 'contaminates' the entire collection that cannot be diverted from the landfill. Data from inspections will be maintained for reporting and enforcement. This amendment adds Section 4.12 (contamination monitoring) to the Franchise Agreement.

Reports and Records - The Franchise Agreement amendment incorporates the requirement for expanded quarterly reports with a monthly breakdown of data encompassing 1) tonnages collected, 2) customer program participation, 3) City diversion rates and programs, 4) customer service, and 5) education and outreach for all waste generation sectors (solid waste, recyclables, and organics). This is in addition to the quarterly report information currently required by the franchise agreement. In regard to SB 1383, GWR would now have to maintain independent records of all SB 1383 regulatory non-compliance complaints and responses, separate from other complaint issues. This information is necessary for SB 1383 compliance and enforcement. This impacts the Franchise Agreement by amending Section 6.2 (Reporting Submission Requirements) and Exhibit D of the Agreement.

Cost-Base Rate Adjustment:

The Franchise Agreement provides for periodic review of GWR's detailed operational expenses and revenues and allows for a reconciliation of the actual operating results of the agreement to the rates charged to customers. This adjustment process is performed in order to set rates under the Franchise Agreement. In conducting the first such 'cost-based rate adjustment' review this year in accordance with the Franchise Agreement, GWR and HF&H identified practical aspects of the process that needed modification for both clarity and to better balance revenues to operational expenses. These changes do not have a material impact on the process, and simply memorialize in greater detail how the process was conducted during its first application under the Franchise Agreement. The results of the cost-based rate adjustment have already been applied to customer rates, as currently required by the Franchise Agreement, and there is no impact upon the current or future rates from this proposed amendment. These amendments impact the Franchise Agreement by amending Article 8 Section 8.2.C and Exhibits E1 and E2.

Covid-19 Pandemic:
The shelter-in-place mandate due to the Covid-19 pandemic resulted in changes to how residents and businesses generated waste and subscribed to collection services. The decline in commercial business due to the mandate led to a drop in revenues from these GWR customers while at the same time increasing pressure on collection capacities for the residential sector.

HF&H reviewed GWR's claim related to cost and revenue impacts of the shelter-in-place mandate and determined, in agreement with the MRWMD Member Agencies, that it was unreasonable for GWR to request additional revenues during rate period 7, when revenues fell short of projections due to the pandemic. This determination was considered in combination with prior years when GWR exceeded their revenue targets. Therefore, GWR, HF&H, and City staff discussed and agreed to settle the matter with no additional compensation to GWR for the pandemic. Therefore, there is no amendment to the Franchise Agreement in regard to the pandemic.

Assignment Review / Change of Control:
In September of 2021, GWR notified the City of their intent to sell the company to an investment fund operated by Macquarie (a global financial services and investment bank) with a closing date anticipated in December 2021. Section 12.6 of the Franchise Agreement governs this type of transaction and reserves the City's right to conduct a due diligence review. Such a review was performed by HF&H in accordance with the process outlined in the Franchise Agreement on behalf of the City. HF&H's report is attached as Exhibit B, which identified a few performance gaps related to insurance, performance bonds, billing, public education, and diversion. Some of these gaps have been rectified. For each area where a performance gap was identified, HF&H worked with GWR to agree on enhanced contractual language and process to provide greater control over these issues going forward and to minimize the likelihood that those errors repeat or continue. Article 12 is modified and Section 13.8 is added to the Franchise Agreement addressing the change of control assignment and the identified performance gaps.

Definition Update:
In addition to definitions amended or added to the Franchise Agreement's Exhibit A (definitions) for SB 1383 compliance, the definition of the "Approved Recyclable Materials Processing Facility" also needed to be updated. Originally, GWR utilized their own facility in San Jose, while infrastructure at MRWMD was being constructed and updated; which is why the San Jose facility was originally named in the Franchise Agreement. Once improvements of the MRWMD facility were completed, GWR began utilizing the MRWMD site to reduce travel distance and expenses. Now that GWR utilizes the MRWMD site, the Franchise Agreement definition of "Approved Recyclable Materials Processing Facility" is being updated reflect that change.

Contractor Implementation Plan - Attachment 1
Attachment 1 of the First Amendment to the Franchise Agreement is a place holder for the Contractor's Implementation Plan, which is expected to be provided by GWR sometime before the end of January 2022. This Implementation Plan is a document that will be

subject to ongoing administrative review by City staff, just as the Public Education & Outreach Plan (PEOP) of the Franchise Agreement is currently subject to annual City staff review. Therefore, approval of the Franchise Agreement amendment can proceed without this Implementation Plan as it will be subject to City staff review/approval (as noted in the Franchise Agreement Amendment) prior to the Implementation Plan's incorporation and implementation.

Fiscal Impact:
The obligation to implement the requirements of SB 1383 will inherently increase operational expenses for GWR and the City. Generator rates for services are expected to increase by 1.30%. Fortunately, Sand City currently has a revenue surplus in a "rate stabilization" fund being used to keep customer collection rates flat. This surplus will also be used to subsidize the new SB 1383 fiscal impacts in addition to standard operational expense increases. Rates will likely need to be adjusted over time as operational expenses and the Cost-Price Index (CPI) increase and the rate stabilization fund gets depleted; however, no rate changes are proposed at this time until actual SB 1383 expenses are realized as programs are implemented.

Article 7 Section 7.1 of the Franchise Agreement requires the City be paid a franchise fee of 10% of all gross receipts collected by GWR each quarter. Section 7.3 would be amended to add an AB 939/SB 1383 franchise fee of $10,000, paid to the City by GWR for Rate Period Seven (2022) of the contract. This fee will be reevaluated the following year (and each year thereafter) to either keep, reduce, increase, or eliminate as part of annual rate evaluations.

CEQA:
Action by the City Council to establish, modify, and/or approve garbage collection services through a contract agreement or other legal document is exempt from CEQA (California Environmental Quality Act) per CEQA Guideline section 15060(c)(2) and (3), nor does such action qualify as a Project per CEQA Guideline section 15378; and therefore, such action is not subject to CEQA.

RECOMMENDATION

Staff recommends the City Council **APPROVE** the Resolution to adopt the First Amendment to the Franchise Agreement with Greenwaste Recovery regarding SB 1383 requirements, the cost-based rate adjustment determination, and the change in control assignment.

EXHIBITS:
A. GWR Correspondence for Rate Adjustment Request, dated 5/17/21
B. HF&H's Assignment Review Report, dated 11/01/21

ATTACHMENT:
1. Draft resolution authorizing the First Amendment to the Franchise Agreement with Greenwaste Recovery.

EXHIBIT A

greenwaste
a brighter shade of green

May 17, 2021

Mr. Rob Hilton, President
HF&H Consultants, LLC
201 N. Civic Drive, Suite 230
Walnut Creek, CA 94596

Subject: Extraordinary Rate Adjustment Request and Proposal to Address Agency and Ratepayer Subsidization by GreenWaste and Debris Box Exclusivity (City of Sand City)

Dear Mr. Hilton,

Pursuant to Sections 1.1 and 8.3 of the Franchise Agreement between the City of Sand City (the "Agency") and GreenWaste Recovery, Inc ("GreenWaste") for Solid Waste, Recycling and Organics Collection Services (the "Agreement") executed on July 1, 2014, please let this letter serve as GreenWaste's formal request for 1) an Extraordinary Rate Adjustment to be incorporated into the new rates for ratepayers effective July 1, 2021, and 2) proposed business terms for inclusion in the amendments to the Agreement currently underway that will be presented for your Council's consideration in the near future.

As you are aware, the worldwide outbreak of the novel coronavirus COVID-19 in early 2020 resulted in a series of events and conditions that qualify as Change in Law under the Agreement that have materially and adversely affected GreenWaste and have and will continue to result in new and unanticipated costs and reduced revenues. As a result of eligible Changes in Law GreenWaste is requesting the Agency's consideration for an Extraordinary Rate Adjustment that is comprised of two (2) separate yet related parts:

- ✓ We are requesting financial relief that resulted in substantially depressed rate revenue through a one-time "other" adjustment for lost revenues, that were not offset by reduced costs, for the period of March 1, 2020 – June 30, 2021; and
- ✓ We are requesting the Rate Model for July 1, 2021 be updated to use currently depressed service subscriptions and incorporate provisions to allow us to true-up subscriptions if and to the extent they return to pre-COVID levels.

Further, as part of the amendment process currently underway, GreenWaste is requesting the Agency's consideration to make modifications to the Franchise Agreement to remedy two (2) very specific inequities that result in GreenWaste effectively subsidizing the ratepayers and losing revenue that in turn results in the Agency receiving reduced franchise fees.

- ✓ We are requesting incorporation of an annual true-up type reconciliation for steadily increasing tonnages, where the costs associated with year-over-year tonnage increases/decreases are not captured in Step 4 of the calculation described in Exhibit E1 of the Multi-Index Rate Adjustment; and
- ✓ We are requesting changes to the Agreement, the local ordinance and/or compensation that will remedy the damages caused by the Agency's lack of enforcement of GreenWaste's rights of exclusivity described in Section 1.1 of the Agreement.

Together, we believe these requests warrant the strongest consideration from the Agency and GreenWaste remains open to timely discussions to develop a fair and equitable approach to adjust the July 1, 2021 rates and ultimately incorporate the requests described herein into the Agreement.

COVID-19

In January 2020 the novel coronavirus disease 2019 (COVID-19), was identified as the cause of an outbreak of viral pneumonia in Wuhan, China and subsequently spread globally. On March 12, 2020, California Governor Gavin Newsom issued Executive Order N-25-20 proclaiming a State of Emergency. (California Government Code § 8625). On March 13, 2020, President Trump declared a nationwide emergency (Section 501(b) of the Stafford Act). On March 16, 2020, Santa Cruz and Santa Clara County Public Health Officials issued Shelter-in-Place Orders. (California Health and Safety Code §§101040, 101085, 120175 and 120295, et seq.). On March 19, 2020, Governor Newsom issued a statewide Stay-at-Home Executive Order (N-33-20). (California Government Code §§ 8567, 8627, and 8665). Under these Orders, all residents were required to remain at home except for essential needs and violation of or failure to comply with the Orders is a misdemeanor punishable by fine, imprisonment, or both. (California Health and Safety Code § 120295, et seq.).

Over the past year, the Federal government, the government of the State of California and other local jurisdictions have passed, adopted, enacted and issued a myriad of complicated new laws flowing from COVID-19 that 1) required varying directives pertaining to residents staying home, 2) proscribed prohibitions and restrictions on whether and the extent to which commercial businesses were permitted to remain open for business, and 3) increased our cost of operations by requiring additional health and safety and financial protection measures for employees. More importantly, however, was the significant loss in revenue as businesses cut back on service, terminated services temporarily, or went out of business entirely. These new laws have materially impacted GreenWaste by increasing our costs and significantly and substantially decreasing revenues despite our continued performance under the Agreement.

Individually and collectively, these actions constitute an eligible Changes in Law in that they:

- ✓ Occurred after the Effective Date of the Agreement and the date referenced in the definition of Change in Law from Exhibit A; and
- ✓ Were made by the Federal government, the State of California and other local jurisdictions, all of which are eligible governmental bodies; and
- ✓ These changes and the circumstances that gave rise to these changes were not the result of GreenWaste's willful or negligent actions, error or omission or lack of reasonable diligence; and
- ✓ GreenWaste's costs and revenues have been substantially and materially impacted.

Extraordinary Rate Adjustment Requests

Section 8.3 of the Agreement provides that GreenWaste may request an extraordinary rate adjustment as a result of Changes in Law and may petition the Agency for an adjustment to the Rates in excess of the annual adjustment. As mentioned above, there are two (2) separate yet related aspects of GreenWaste's request for an extraordinary rate adjustment and amendments to the Franchise Agreement related to these requests. Each aspects of our request is detailed below, with supporting documentation attached.

1. **Compensation for Lost Revenue.**

   GreenWaste is requesting consideration to recover *actual* net losses in revenue from March 1, 2019 through June 30, 2020 flowing from COVID-19. During this period, we saw commercial rate revenue

decrease substantially and debris box revenue decrease minimally (residential rate revenue remained nearly unchanged). These changes varied month over month and as compared to the "pre-COVID" baseline due to the Governor's and County government's varying loosening and tightening of restrictions.

This aspect of our request is supported by documentation substantiating the loss in revenue, inclusive of both the revenue that GreenWaste is permitted to retain as well as the fees to which the Agency is entitled. The source of this data is the same data used to calculate the fees owed the Agency, though we have differentiated between residential, commercial and debris box to illustrate the overall impact and net change.

COVID-19 Revenue Loss (16-month period ending June 30, 2021)

$	70	Residential	($	43,627)	GreenWaste Portion
($	48,544)	Commercial & Roll-off	($	4,847)	Agency Portion
($	**48,474)**	**Net Revenue Loss**	**($**	**48,474)**	**Net Revenue Loss**

GreenWaste is requesting to be fully compensated for the net present value of our allocation of the demonstrated revenue loss at the time of recovery, by first adjusting for the July 1, 2021 Multi-Index Rate Adjustment (MIRA) and then adjusting for the discounted future rate, that could happen by any one or a combination of the following ways:

a. A one-time "other" adjustment during the MIRA process currently underway, using the presently depressed Post-COVID subscriptions to determine the July 1, 2021 rates. This would presumably permit GreenWaste to recover these lost revenues from ratepayers over Rate Year 7 (July 1, 2021 – June 30, 2022); and/or

b. Permitting GreenWaste to retain all or some Agency fees; and/or

c. Permitting GreenWaste to retain the portion of the accrued "rate stabilization" fund we have retained on the Agency's behalf; and/or

d. The Agency making a one-time payment or installment payments to GreenWaste; and/or

e. Any other creative way we may not have considered.

In support of this request, the attached spreadsheet demonstrates the following:

a. Establishes the actual billable revenue by line of business (residential, commercial, roll-off) for the 9-month period of July 1, 2019 – February 28, 2020 as the "pre-COVID" baseline.

b. Documents the actual billable revenue for the 13-month period of March 1, 2020 – March 31, 2021 and uses March 2021 to project billable revenues for the 3-month period of April 1, 2021 – June 30, 2021.

c. Prior to comparison and aggregation of "post-COVID" months, the "pre-COVID" baseline and the 3-month period of April 1, 2020 – June 30, 2020 (all from Rate Year 5) were both adjusted upward to by the July 1, 2020 Cost-Based Rate Adjustment (CBRA) percentage to accurately reflect the "pre-COVID" baseline in Rate Year 6 dollars,

d. Calculates the actual revenue lost as compared to the "pre-COVID" adjusted baseline and allocates that lost revenue between what GreenWaste would have retained vs. what would have been remitted to the Agency.

e. Incorporates the monthly accrual of the projected rate stabilization fund held by GreenWaste on behalf of the Agency for Rate Year 5 (July 1, 2019 – June 30, 2020) and Rate Year 6 (July 1, 2020 –

June 30, 2021), that was accrued base on resultant projections from the CBRA rather than the actual billable revenues, as follows:

$ 130, 921	Rate Year 5 Accrual
$ 98,142	Rate Year 6 Accrual
$ 229,064	**Total Rate Stabilization Accrual**

f. It is also important to consider that GreenWaste's costs did not correspondingly decrease in response to decreased commercial subscriptions.

   i. Routing & Windshield Time: GreenWaste was still required to run 100% of our routes so fuel costs, truck and garage and all other costs associated with routes did not decrease. While we did enjoy some benefits from intermittent reduced traffic, our drivers were still paid their normal 8-hour minimum for working between 4.01 hours and 8.0 hours.

   ii. Material Processing: Despite seeing some decreases in tonnages on the Peninsula, we also saw some increases in some tonnages too – and the rates in future years will be based on these tonnages so this has been excluded from any quantification of cost increases or cost savings. We relied on the data HFH assembles to perform this analysis and it too is attached (we have included the data from July 1, 2015 – December 31, 2020).

2. Updating Rate Model to Use Currently Depressed Subscriptions.

Over the past 13 months, GreenWaste has experienced a loss of commercial customers, a significant reduction in commercial service level subscriptions and a significant loss of what were already depressed debris box services. While the State is expected to soon permit a return to business as usual, GreenWaste suspects the commercial customer rate base will remain depressed as a result of businesses having effectively "right-sized" themselves as during the pandemic and some business having shut down permanently. GreenWaste also has little to no confidence that the grim picture that is exclusive debris box service that are not enforced as exclusive to improve. As a result, we are requesting the rate model used to determine the July 1, 2021 rates be updated with actual customer subscriptions and used in conjunction with the approved revenue requirement that resulted from the CBRA, further adjusted by the July 1, 2021 MIRA, to determine the July 1, 2021 rates. We suggest this would be based on the actual customer subscription levels at some point in time after January 1, 2021 and before May 31, 2021. This will afford the parties (GreenWaste, the Agency and HF&H) to have an agreed upon starting point for subscriptions against which future adjustments can be made.

a. We recognize our request to spread our new revenue requirement over current subscriptions may result in additional compensation in excess of our revenue requirement if and as commercial subscriptions return and/or if debris box exclusivity is enforced. We therefore propose we devise a streamlined method to perform a focused "true-up" until the adjusted rate revenue stabilizes (that considers both subscriptions and the annual increase to allowable rate revenue). GreenWaste could be agreeable to an annual adjustment, a semi-annual adjustment or a monthly cumulative reconciliation that could be used to help build a rate stabilization fund or other financial reserves as directed by the Agency if the net result is in the Agency's favor.

b. GreenWaste can promptly provide HFH with an updated Rate Model for the Agency that incorporates active customer subscriptions by service level as-of whatever date is selected that makes the most sense to determine the basis of the July 1, 2021 rates.

Requested Agreement Modifications/Amendments

1. **Request to Incorporate Annual True-up Of Pass-through Tonnages.**

   In performing the tonnage analysis as described above, it became unavoidably clear that the annual Multi-Index Rate Adjustment Methodology, specifically Step 4, is materially flawed in that it makes an assumption about future processing costs by looking back at tonnages from more than a year prior and multiplying those tonnages by the upcoming tip fees. GreenWaste has conducted a year-over-year analysis by material type for each of the seven member agencies of the Monterey Regional Waste Management District (MRWMD) serviced by GreenWaste. In total, GreenWaste is the beneficiary of this methodology for one (1) of the member agencies and for the remaining six (6) member agencies, GreenWaste is subsidizing the Agency (except in the case of Sand City) for services provided for no additional charge and/or subsidizing the ratepayers (except in the case of Marina) without fairly and appropriately passing on those costs (or benefits) to the ratepayers as the generators of the waste.

   Without such a 'true-up" provision in Step 4 of the MIRA, GreenWaste has and will continue to effectively either realize an unintended cumulative gain at the expense of the ratepayers or cumulatively subsidize the Agency and/or the ratepayers unless this is remedied. During the period of July 1, 2015 – December 31, 2020, and using the current tip fees at the MRWMD, the total benefit to GWR or cost to ratepayers is as follows:

Cumulative Loss* Due to Inability to Recapture Year-Over-Year Tonnage**

	Sand City	Marina	Seaside	PBCSD	Carmel	Pacific Grove	Del Rey Oaks
MSW	$18,235	$(75,645)	$(7,940)	$(2,176)	$21,400	$(9,420)	$1,401
Recycle	$(2,916)	$(24,361)	$(21,336)	$(273)	$10,919	$(9,820)	$1,163
Organics-YT	$(164)	$(16,205)	$(31,373)	$(8,176)	$(22,179)	$(25,200)	$(4,969)
Organics-FW	$(3,471)	$(13,079)	$(21,195)	$5,667	$(14,413)	$(12,410)	$(3,911)
TOTALS	**$11,683**	**$(129,290)**	**$(81,844)**	**$(4,957)**	**$(4,272)**	**$(56,850)**	**$(6,316)**

**Assumes current tip fees and historical tons*
***Excludes C&D that is billed to customer directly*

GreenWaste believes this was not the intention of the Agency and that the Agency will agree this not a fair, equitable or reasonable arrangement. As part of the Agreement amendment process currently underway, GreenWaste is requesting that Step 4 of the MIRA adjustment incorporate an annual reconciliation of the under- or over-estimation of tonnages by material type from the prior year. There is already a process in place to reconcile when tip fees change during a Rate Period and GreenWaste is simply asking for this same process be added.

2. **Request for Enforcement of Debris Box Exclusivity.**

   Finally, we would be remiss in not continuing to emphasize that, except as otherwise provided in Section 1.2, GreenWaste was granted the right (and obligation) to provide exclusive debris box services within the corporate limits of the Agency. Unfortunately, the Agency has not protected GreenWaste's exclusive rights to provide this service and despite GreenWaste notifying the Agency when the exclusive franchise is being violated, the Agency continues to knowingly allow other haulers to provide this service. The resulting harm to GreenWaste is significant and the Agency is knowingly forgoing franchise (and litter abatement) fees, that is effectively a gift of public funds to these businesses that are violating the exclusivity provisions of the Agreement.

Further, the MRWMD, of which the Agency is a member, continues to indiscriminately accept any and all debris boxes that come across the scales, regardless of whether those boxes are in violation of the Agreement between GreenWaste and the Agency. This loss of revenue to GreenWaste is further compounded by the fact that GreenWaste has to provide roll off services to the Agency for no additional cost, yet has to pay the tip fees associated with the delivery of material to the MRWMD. GreenWaste is also required to provide debris box and other services to the Agency at no additional charge to the Agency. While these tons are indeed included in the Step 4 calculation of the MIRA, absent a "true-up" of pass-through tonnages as described above, GreenWaste and the ratepayers are of course cumulatively subsidizing the Agency (except for Sand City) and the ratepayers are subsidizing the Agency.

Taken together, the Agency is being subsidized by a combination of both GreenWaste and the ratepayers, which would make sense if the Agency was not making a gift of public funds to businesses violating GreenWaste's right to exclusivity.

Cumulative Cost* for Agency Tons (*Included in MIRA, Except Year-Over-Year Change*)

	Sand City	Marina	Seaside	PBCSD	Carmel	Pacific Grove	Del Rey Oaks
MSW	$(1,136)	$(67,514)	$(161,538)	$ (6,857)	$(222,255)	$(122,003)	$(16,787)
Recycle	$(985)	$(7,678)	$(4,594)	$ (1,368)	$(32,720)	$(8,661)	$(1,712)
Organics-YT	-	$(3,208)	$(8,863)	$(262)	$(34,157)	$(72,314)	$(683)
Organics-FW	-	$(4,409)	$(1,695)	$(1,754)	$(4,118)	$(2,753)	-
C&D	$(44)	-	$(24,694)	$(1,585)	$(18,994)	$(40,013)	$(6,427)
TOTALS	**$(2,164)**	**$(82,809)**	**$(201,384)**	**$(11,826)**	**$(312,242)**	**$(245,744)**	**$(25,610)**

GWR and Ratepayer Costs & Benefits to Provide Free Agency Services

	Sand City	Marina	Seaside	PBCSD	Carmel	Pacific Grove	Del Rey Oaks
GWR Benefit/ (Subsidy)**	$11,683	$(129,290)	$(81,844)	$(4,957)	$(4,272)	$(56,850)	$(6,316)
Ratepayer Cost/(Benefit)	$(13,848)	$46,481	$(119,540)	$(6,868)	$(307,970)	$(188,894)	$(19,294)

** Assumes current tip fees and historical tons, excludes the cost for GreenWaste to provide the service.*
***From table above, where all but Sand City is subsidized by GreenWaste.*

If the Agency desires to continue to have debris box under the Agreement as an exclusive service, then the Agency needs enforce the rights granted to GreenWaste under the Agreement. Alternatively, roll-off services should be wholly excluded from the Agreement and GreenWaste should be able to compete to provide this service in the open market. GreenWaste has a number of ideas that we believe could help with enforcement, however, at this point we are unfortunately not very optimistic. If the Agency is not going to enforce GreenWaste's rights of exclusivity for debris box services, then GreenWaste should no longer be expected to or obligated to provide the Agency with free services.

We look forward to promptly scheduling time to review this letter with HF&H and the Agency at your earliest convenience.

Thank you,



Tracy Adams
Co-Chief Executive Officer

Cc:
Dave Hilton, HF&H Consultants
Charles Pooler, City of Sand City

Encl.

EXHIBIT B

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Transmitted via email

Subject: **Solid Waste Franchise Assignment Report – GreenWaste Recovery, Inc.**

Dear Messrs.,

HF&H Consultants, LLC (HF&H) provides the enclosed report on our due diligence review of the Assignment of your jurisdictions' franchises resulting from a change in control of GreenWaste Recovery, Inc., Zanker, and their affiliated companies (GWZ). This report presents the scope of our due diligence review, the findings of our review, proposed conditions to the Assignment of the franchises based on our review, and our recommendations.

Sincerely,

HF&H CONSULTANTS, LLC

Rob Hilton, CMC
President

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GLOSSARY

Agreement - Solid Waste, Recycling, and Organics Collection Services Agreement between GWR/Zanker and Franchising Agencies.

Assignee – MIP V Waste, LLC, a subsidiary of a fund managed by Macquarie Infrastructure and Real Assets.

Assignment –a change in control that falls under the definition of Assignment pursuant to the terms of the Agreement.

Franchisee – see GWR.

Franchising Agencies – Cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside; the County of Santa Cruz; and, the Pebble Beach Community Services District.

GreenWaste/Zanker (GWZ) – means the umbrella name for all GreenWaste Recovery and Zanker affiliated companies.

GWR – GreenWaste Recovery, the hauler for the Franchising Agencies.

MIRA – Macquarie Infrastructure and Real Assets, part of Macquarie Asset Management.

MRWMD Agencies – Cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, Seaside, and the Pebble Beach Community Services District.

Pebble Beach – Pebble Beach Community Services District

PEOP – Public Education and Outreach Plan.

Review – Assignment Review.

Zanker - GWR's sister company, Zanker Road Resource Management, LTD.

ZWED – GWR's sister company, Zero Waste Energy Development.

EXECUTIVE SUMMARY

GWR has proposed an Assignment of their Solid Waste, Recycling, and Organics Collection Services Agreement (Agreement) with the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside; the Pebble Beach Community Services District; and, the County of Santa Cruz (hereinafter "Franchising Agencies"). This report presents the Franchising Agencies with the results of HF&H's due diligence Assignment review (Review) to support the Franchising Agencies in determining whether it is in the best interest of each of their communities to accept the terms of the proposed Assignment.

HF&H was engaged to perform an Assignment Review (Review) of the companies falling under the umbrella of GreenWaste Recovery and Zanker Road Resource Management LTD (hereinafter "GreenWaste/Zanker"), in accordance with Section 12.6 of the Agreements.

The Review is a targeted assessment addressing GreenWaste/Zanker's performance in four key areas:

1. An audit of GreenWaste/Zanker's compliance and performance under the current Agreements.
2. A review of the financial and other terms of the change in control between the Franchisee and the Assignee.
3. A review and determination of the financial health and stability of both the Franchisee and Assignee.
4. A review of information regarding the experience, qualifications, and the performance of the Assignee to assess their ability to perform at or above the levels of the current Franchisee.

Following completion of our analysis on these four key areas, HF&H recommends the following key action steps (which are further described in Section 2 of this Report).

General Finding

In general, our review found that the transaction will result in a change in control and governance of GWZ, but that the corporate and local management teams will remain unchanged. The resulting company appears to meet all of the minimum criteria for the consideration of the Assignment. Our review identified certain shortfalls in performance that are documented herein, however the specific issues were relatively minor in nature, were promptly resolved, and never resulted in the contractor being subject to liquidated damages or found in default of the agreement.

HF&H recommends that each franchising agency review and consider the specific findings of this report prior to approving any Assignment of the franchise agreement. HF&H did not identify any issues during the performance of this review that creates a new or unreasonable risk for the jurisdictions and their respective constituents. That said, HF&H recommends conditioning the approval of the Assignment on GWZ's agreement to implementing the various recommendations contained in this report. These recommendations pertaining to GWR are already incorporated into the Amendments currently under consideration.

Compliance Issues

- HF&H found that GWR failed to achieve its annual diversion goals nor did they provide some of the required education and outreach activities for the Franchising Agencies that would have supported those diversion goals. GWR has agreed to establish an annual budget of $75,000 for the MRWMD Agencies and $75,000 for Santa Cruz County, any unspent portion of which would be returned to the

agencies at the end of each rate year. This should reduce cost cutting incentives to GWR and allow the agencies to monitor PEOPs and expenditures. In addition, GWR has agreed to prepare a Diversion Plan by the end of 2022 to document the impact of SB 1383 changes on the diversion targets and to create specific, tonnage-based, plans for achieving the 65% diversion goal stated in the Agreements.

- HF&H found that GWR failed to provide accurate fee payments (See Section 2 for thorough analysis). Upon notification, GWR remedied these errors immediately and paid any outstanding fees owed to the appropriate Franchising Agency.

- HF&H found numerous minor billing and reporting errors during the review. HF&H recommends that additional and more frequent training for staff to avoid mistakes in in the future. In addition, HF&H recommends that the Franchising Agencies utilize the performance reviews and billing audits that are provided for in their Agreements to monitor these activities more closely.

- HF&H found that GWR failed to purchase certain required capital under the Agreement with Santa Cruz County. GWR was notified of this issue and has agreed to purchase new collection vehicles required for SB 1383. The new vehicles that were not purchased must be put into service by April 1, 2023 when the rate application for the July 1, 2023 rate adjustment is submitted and if they fail to put those vehicles into service by that time, the depreciation costs for such vehicles will be disallowed until the rate adjustment after they are placed into service.

- HF&H found that all insurance and performance bonds were not at the required amounts. Upon notification of these issues, GWR immediately reissued new insurance certificates and performance bonds for all Franchising Agencies. The Franchising Agencies' Risk Managers should review these policies and bonds more closely on an annual basis to ensure compliance with the contract.

Assignment Terms

HF&H recommends that the Franchising Agencies continue to monitor operations and staffing levels to ensure that the Assignee continues to provide operations that meet the obligations of the Agreements throughout the remaining term. The robust reporting requirements, scheduled performance reviews and billing audits, along with the allowable cost-based rate adjustments should be sufficient to monitor and ensure that the Assignee is continuing to operate the franchises in accordance with its franchise agreements.

Financial Condition

HF&H's review determined that the financial strength of GWZ combined with the substantial resources of the Assignee result in minimal risk to the Franchising Agencies. The only significant concern related to the financial aspects of this transaction are that other funds under common management with the Assignee commonly hold the assets they acquire for shorter periods of time than are remaining on the Franchise Agreements. This may subject the Franchising Agencies to a subsequent Assignment request process; however, the Franchising Agencies would maintain all of their consent rights over any such Assignment.

Experience and Qualification

HF&H's review found that the company resulting from the transaction will have sufficient experience and qualifications to meet the requirements of the Agreement. The leadership and management team will have substantially more than the ten years of required experience operating similar businesses and the manager of the Assignee has experience acquiring and developing other solid waste infrastructure

companies through prior funds. GWZ has provided for retention agreements for executives (CFO, CSO) and managers (General Manager, Customer Service Manager) that provide substantial incentives for those personnel to stay for at least the first year of the transition.

SECTION 1 OVERVIEW

A. Background

GreenWaste Recovery (GWR) entered into separate Solid Waste, Recycling, and Organics Collection Services Agreements (Agreements) with the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside; the Pebble Beach Community Services District; and, the County of Santa Cruz (hereinafter "Franchising Agencies"). The Agreement provides GWR with the exclusive right to collect residential, multi-family, and commercial discarded materials from these jurisdictions, subject to the limitations of that Agreement and applicable law. An amendment to each Agreement has been negotiated and was provided to each Franchising Agency in an HF&H email correspondence dated October 26, 2021.

In September 2021, GWR notified the Franchising Agencies of their intent to sell their company to an investment fund managed by MIRA, which is ultimately controlled by Macquarie Group Limited, a publicly-traded, a global financial services firm with a closing date in December 2021. Section 12.6 of the Agreement governs this type of transaction and reserves the right for the Franchising Agencies to conduct an Assignment Review (Review). The Review was performed by HF&H Consultants, in accordance with the process outlined in the Agreement, and identified a few performance gaps related to insurance, performance bonds, billing, public education, and diversion (See "Section 2: Findings and Recommendations"). For each area where a performance gap was identified, HF&H worked with GWR to agree on enhanced contract language and processes to provide greater control over these issues going forward and to minimize the likelihood that such errors would be repeated.

The issue areas covered in this Review are as follows:

Compliance Issue Areas

- Implementation of all collection services and recycling programs
- Public education and outreach
- Performance consistent with the standards of performance defined in the Agreement
- Billing review
- Delivery of material to the correct facilities
- Provision of operating assets that meet the requirements of the Agreement
- Reporting
- Payment of fees
- Insurance and performance sureties required by the Agreement
- Liquidated damages

Assignment Term Issue Areas

- Financial condition of franchise and Assignee
- Risk to Franchising Agency and/or rate payers

Financial Condition Issue Areas

- Financial health and stability
- Return on investment
- Ability to maintain ongoing operating costs without compromising performance

Experience and Qualification Issue Areas

- Experience
- Qualifications
- Performance of Assignee
  - Litigation History
  - Regulatory violations

B. Techniques

HF&H's Review team conducted the following activities:

- Initial and follow-up information requests to GWR, MRWMD Agencies, and Santa Cruz County
- Phone interviews with GWR's operations and management staff.
- Review of quarterly reports and other requested financial and operational data.
- Sample testing of GWR collection customers invoices.
- Review of tonnage and facility reports.
- Review and calculation and payment of fees.
- Calls and meetings with GWR and the Franchising Agencies.

C. Limitations of the Analysis

The scope of HF&H's analysis was limited as follows:

- The Review covered a wide range of performance areas in the Agreements. Therefore, the recommendations include several areas for suggested follow-up monitoring related to specific issues.
- The information used in the Review is, to the best of our understanding, accurate based on the data and information as provided by GreenWaste/Zanker and/or the Franchising Agencies, and was reviewed for reasonableness within industry standards.
- The Review did not entail independent verification of the accuracy or completeness of all of the source documents provided by GreenWaste/Zanker and the Franchising Agencies.
- While the recommendations identify potential areas for improvement, the scope of work for the Review did not include development of specific remedies other than those incorporated into the amendments already under consideration and this report.
- Other matters might have come to our attention that would have been reported to the City had we addressed additional topic areas, additional issues within topic areas, and/or performed additional procedures.

SECTION 2: FINDINGS & RECOMMENDATIONS

HF&H performed review and analysis of GWR's performance and compliance with the Agreements, the terms under which the Assignee intends to purchase the Franchisee, the financial health and stability of the Franchisee and its operations, and the experience and qualifications of the Assignee in relation to its ability to perform its obligations at or above the standards defined within the Agreements. The findings of this Review are documented in this section and provide documentation of all instances of noncompliance with the Agreement, as well as other potential areas of concern.

Generally, GWR has been found to be compliant with the terms and conditions of its Agreements with some exceptions noted in the findings below. For each area where non-compliance was documented, GWR has been notified and has attempted to remedy the situation and/or HF&H has made recommendations to prevent future failures to meet compliance. Particular areas of concern are related to public education and outreach, overall diversion performance, reporting, and performance bonds and insurance levels.

HF&H believes that the recommendations below should be implemented regardless of the approval of a change in control and that these recommendations should help to ensure that the requirements of the Agreements for all Franchising Agencies are better met.

A. Compliance Review

A-1. Implementation of Collection and Recycling Programs Required Under Agreement

The Franchising Agencies' Agreements establish specific collection services, documented in Exhibit B of each Agreement, which must be performed by GWR. HF&H reviewed all requirements of Exhibits B1 - Single Family Residential Services, B2 - Multi-Family Services, B3 - Commercial Services, B4 - Construction and Demolition Debris Services (all except Santa Cruz County), B4 - Agency Services (Santa Cruz County), B5 – Agency Services (all except Santa Cruz County), B5 – Agency Services Levels and Locations (for Santa Cruz County), B6 - Agency Services Levels and Locations (all except Santa Cruz County), and B7 Agency Special Events Schedule (select Franchising Agencies only).

HF&H collected evidence of GWR's compliance with collection services through materials on their website, rate sheets, quarterly reports, and annual reports as well as discussions with Franchising Agency staff. Where services could not be verified though documentation, HF&H contacted GWR and/or Franchising Agency staff to verify compliance. It is important to note that only a sample of information from this material was examined during this review.

Findings

HF&H found that GWR is generally compliant with the core collection services for single family residential, multi-family residential, commercial, construction and demolition, and agency services, with the following exceptions:

- GWR incorrectly escalated the Youth Service Recycling Grant, resulting in an underpayment of $24,108.86 to the City of Seaside over a six-year period. GWR was notified of this error and has paid the amount owed in full. The annual differences in the grant amount paid and correctly escalated grant amount owed are summarized in the table below.

Figure 1: Youth Service Recycling Grant Amounts- Seaside

Year	CPI Increase	Amount Paid	Escalated Grant Amount	Amount Owed
2016	3.60%	$ 51,800.00	$ 51,800.00	$ -
2017	2.70%	$ 51,350.00	$ 53,198.60	$ 1,848.60
2018	2.88%	$ 51,439.05	$ 54,729.71	$ 3,290.66
2019	3.87%	$ 51,932.55	$ 56,845.07	$ 4,912.52
2020	0.13%	$ 50,067.07	$ 56,921.32	$ 6,854.25
2021	4.07%	$ 52,033.66	$ 59,236.49	$ 7,202.83
			TOTAL OWED	**$ 24,108.86**

Recommendations

- HF&H recommends GWR and the City of Seaside both annually confirm that the Youth Service Recycling grant has been calculated correctly.
- HF&H recommends that GWR work with each property manager/property owner and to increase the education and outreach to multi-family tenants so that they are informed of the three (3) free bulky service events offering and that they may participate for no cost. The educational material should also inform tenants that any request for bulky service, that is outside the purview of these three allotted events, will be charged a fee.
- HF&H recommends that GWR have more frequent trainings with its billing staff to review all provided and included/free services in order to avoid future charges for services which should not be charged.

A-2. Public Education and Outreach Analysis

The Agreement establishes specific public education and outreach requirements to be performed by GWR, in accordance with Exhibit C of the Franchising Agencies Agreements. This part of the Review was broken into five separate sections: 1) single family; 2) multi-family; 3) commercial; 4) schools; and, 5) special events. For each section, HF&H reviewed printed collateral, Public Education and Outreach Annual Plans (PEOPs), and quarterly reports from 2020 that were submitted by GWR for the Franchising Agencies. Only one Franchising Agency's 2020 PEOP example was provided to HF&H for the Review as all PEOPs were identical. Printed collateral was reviewed for the inclusion of specified educational topics outlined in the Agreements and included newsletters, posters, recycling guides, postcards, and truck signs. Quarterly reports were used to identify the number of engagements GWR had with customers to offer educational and/or technical support, as well as to identify the number of non-collection tags that were distributed annually. Additionally, quarterly reports were cross-referenced with the PEOPs for each Franchising Agency to ensure deliverables were met.

Findings

Single Family Education and Outreach Activities

A Public service announcement and press release, required to be sent at the start of the new Agreement, were not provided to HF&H for review. For each of the Franchising Agencies requiring seasonal notices and directly mailed postcards (Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, Seaside, and Santa Cruz County), those postcards did not meet the specific requirements to contain seasonal information. Additionally, seasonal notices, as required by the Agreement, were not included as a separate offering or piece of collateral distributed to customers.

Although a recycling guide was developed in 2015 for the Pebble Beach Community Services District and the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside, the guide was not distributed at any point in 2020. Pebble Beach did not have a recycling guide specific created for them other than an online posting; furthermore, there was no record of distributing such guides in the 2020 quarterly reports. GWR notes that Pebble Beach removed the outreach budget for distribution as part of negotiations.

In Santa Cruz County in 2020, the truck side advertisement did not align with the themes of each quarterly newsletter as required by the Agreement. GWR's webpage for each Franchising Agency does contain links for each of the comprehensive recycling guides, but did not provide information on the availability of compost or worm bins offered through the MWRMD. Recycle guides were removed from the MRWMD jurisdictions in order to avoid potential conflicts with the District's list once the District took over the processing of recyclable materials.

Presentations for homeowner's associations and other neighborhood groups were not recorded in quarterly reports for any Franchising Agency as provided in 2020. These presentations according to the Agreement are only required upon request and it is not clear whether they were ever requested.

Multi Family Education and Outreach Activities

GWR confirmed with HF&H that AB 341 informational flyers were delivered to multi-family customers and information about the legislation was included in quarterly newsletters prior to 2020. HF&H did not review the newsletters containing the AB 341 information.

A multi-family recycling guide was developed in 2015 for the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Pebble Beach, Sand City, and Seaside. The 2015 guide contained all the requirements outlined in the Agreement but, was not distributed at any point in 2020 for the same reason noted in our findings for Single family education and outreach. A uniform household hazardous waste guide was created for all the Franchising Agencies; however, distribution was not specified in the quarterly reports. For each of the Franchising Agencies requiring seasonal notices (Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, Seaside, and Santa Cruz County), the notices were provided in the form of quarterly postcards directly-mailed to customers. Postcards did not meet the specific requirements to contain seasonal collection program information; however, the theme of each postcard was described in the annual PEOP and reviewed by the jurisdiction at the start of the calendar year.

Move-in Kits were not specifically reviewed by HF&H as a full kit was not provided by GWR. Within the PEOPs, however, move-in kits are documented to contain materials developed independently such as the recycling guide. Move-in kits were recorded as delivered upon request for each jurisdiction throughout 2020.

GWR maintains a webpage specific to each Franchising Agency. The website meets the minimum requirements listed in the Agreement of listing current rates, maintaining a separate section for single-family and multi-family customers, and containing information on the collection programs offered. However, the site does not provide a clear opportunity for multi-family property managers to request recycling opportunity assessments or additional move-in-kits.

HF&H reviewed the total records in each quarterly report to determine the number of multi-family customers GWR engaged with to provide education or technical assistance. The number of engagements varied across each Franchising Agency from zero in the City of Carmel for quarters two and three to 449 in quarter two for Santa Cruz County. HF&H did not review each individual record to determine the specific level of technical assistance or outreach provided to the customer; therefore, HF&H cannot make a determination on the complete compliance with the prescriptive technical assistance requirements outlined in the Agreements. The information provided in the quarterly reports did not make clear which customers received proactive engagement versus those that were provided support in response to a request. No reports were provided that listed the specific customers targeted for technical support and the results from those engagements as required by the Agreement.

Commercial Education and Outreach Activities

GWR confirmed AB 341 flyers were delivered to commercial customers and information about the legislation was included in quarterly newsletters prior to 2020. HF&H did not review the newsletters containing the AB 341 information.

A commercial recycling guide was developed in 2015 for the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Pebble Beach, Sand City, and Seaside. The 2015 guide contained all the requirements outlined in the Agreements, but according to quarterly reports was not distributed at any point in 2020 for the reasons mentioned in our previous findings. The creation of recycling and organic materials "how-to" guides was required for all Franchising Agencies in addition to laminated posters providing graphic illustrations of accepted and prohibited items for each material stream. Laminated posters were reviewed by HF&H and found to contain versions for commercial customers receiving food scrap collection service and those that are not. The posters were not further tailored for different business types such as restaurants, strip malls, and large commercial businesses as required in the Agreements. According to the PEOP for the MRWMD Agencies, the posters developed were distributed as needed to commercial customers as a means to explain the collection program for both recyclable and organic materials. These posters were delivered in lieu of the "how-to" guides. Posters were not differentiated between the MRWMD agencies and Santa Cruz County.

Per the Agreements for the Franchising Agencies, each bill is required to include a brief statement to commercial customers providing service-related announcements. No specific message or example bill was provided for review. However, quarterly newsletters for the cities of Carmel, Del Rey Oaks, Marina, Pacific Grove, Sand City, Seaside, and Santa Cruz County were included at least twice throughout 2020 with the customer's invoice. For all Franchising Agencies, including Pebble Beach (which is not required to send newsletters per their franchise agreement), the PEOP stated that an educational or informational statement was included in each invoice. As no invoices were provided for this purpose, HF&H was unable to confirm this.

HF&H reviewed the total records in each quarterly report to determine the number of commercial customers GWR engaged with to provide education or technical assistance. The number of engagements varied across each Franchising Agency from eight in Pebble Beach in quarter one to 332 in quarter three for Santa Cruz County. Many of the engagements across all the Franchising Agencies were for repeated

customers. HF&H did not review each individual record to determine the specific level of technical assistance or outreach provided to the customer, and therefore cannot make a determination on the complete compliance with the prescriptive technical assistance requirements outlined in the Agreements. The information provided in the quarterly reports did not make it clear which customers received proactive engagement versus those that were provided support in response to a request. No reports were provided that listed the specific customers targeted for technical support and the results from those engagements as required by the Agreements.

Schools Education and Outreach Activities

Technical assistance and tours of the Recycling and MRWMD MRF are required to be provided by GWR upon request. No such assistance or tours were recorded as being provided throughout 2020 and HF&H did not investigate further into this compliance requirement.

Special Events Education and Outreach Activities

GWR is required, upon request, to participate in exhibit booths at special events. No record of attendance at such events was recorded in the 2020 quarterly reports and HF&H did not investigate further into the compliance of this requirement.

Recommendation

- HF&H recommends GWR align each PEOP with each specific requirement of the Agreement in order for the Franchising Agency to more clearly identify which requirements are met and when GWR is not in compliance. Portions of the PEOP that stray from, or do not meet, the requirements of the Agreements should be noted and receive written approval by the jurisdiction.
- Each Franchising Agency should determine whether GWR may utilize one piece of educational collateral to meet multiple requirements and, if so, ensure collateral contains all the information outlined in the Agreement prior to GWR distributing the materials.
- HF&H recommends each Franchising Agency and GWR develop an oversight and reporting process for AB 341 eligible multi-family and commercial customers and extend the requirements for technical assistance to customers eligible under other applicable laws including AB 1826 and SB 1383. A separate tab or section on the quarterly report should be dedicated to list these customers, when/how GWR contacted them to offer support, and the specific results of the technical assistance provided.
- HF&H recommends GWR update their website to include links to recycling guides and a prominently displayed button for commercial and multi-family customers to request move-in kits, other educational collateral, or technical assistance. Additional and more consistent promotion of the technical assistance program and presentations available for homeowner's associations and other community organizations should be included on the website and printed collateral.
- Finally, it is recommended that metrics be developed for measuring the success of the education and outreach programs provided by GWR and to include a section within each quarterly report that compares GWR's current performance against these metrics. Metrics may include participation rates in optional programs (worm bin kits, HHW drop off, bulky item pickups), website traffic, and the number of presentation and technical assistance requests received.

A-3. Performance Standards Analysis

The Agreement establishes specific performance standards, documented in Exhibit F, which must be performed by GWR. The performance areas include Service Quality and Reliability, Customer Service, Diversion, Facilities, and Reporting.

HF&H sampled a random selection of quarterly reports from each of the Franchising Agencies. Within each quarterly report, HF&H reviewed the Customer Service Report to verify compliance with Service Quality and Reliability and Customer Service performance standards and reviewed the Tonnage report to verify compliance with Diversion and Facilities performance standards.

Findings

GWR has met performance standards related to Service Quality and Reliability, Customer Service, and Facilities, but has failed to meet performance standards related to Diversion and Reporting. GWR's failures in these areas are detailed below.

- **Diversion.** All Franchising Agencies require GWR to reach 65% Diversion or greater in each calendar quarter. HF&H reviewed between seven and eight quarters per agency, half of which were in the beginning of the Agreement, and the other half of which were the most recent calendar quarters. Of the 74 total quarters checked, Diversion targets were only reached in Pebble Beach in Q1 2016 and in the most recent quarters. GWR failed to achieve their Diversion target in all quarters reviewed for all other Franchising Agencies .
- **Reporting.** Issues were noted regarding GWR's reporting. In one instance, GWR submitted a quarterly report a week late (Santa Cruz County's Q4 2018 report was submitted on Friday, February 22, 2019 and was due on February 15, 2019). Additionally, the content of several of GWR's quarterly reports for Santa Cruz County were found to contain inaccurate information. Quarterly Revenue Reports for Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q2 2020, and Q3 2020 show 0% for the AB 1826 infrastructure payment, which was in fact made, but not reported; GWR submitted checks showing a 3% AB 1826 infrastructure payment for each of these quarters. The failure of GWR to include the 3% AB 1826 infrastructure payment in the revenue for these quarters also resulted in an inaccurate franchise fee calculation in the revenue report. The franchise fee in the revenue report for the aforementioned quarters does not match the franchise fee paid as calculated by HF&H through checks provided by GWR. The issue is described in detail in A-7 Reporting Standards Analysis.

Recommendations

- GWR and the Agencies must work together to increase diversion. GWR has proposed to include an annual diversion plan as part of their annual public education and outreach plan. This language has been added to the County's franchise agreement to reflect this new requirement.
- HF&H recommends that GWR address issues that led to the revenue reports being misreported in Santa Cruz County. It is recommended that GWR provide additional rounds of review to verify that revenue reports tie to submitted checks before presenting to the County of Santa Cruz. Should these issues continue HF&H recommends that the County evaluate the use of the allowed liquidated damages. As noted in A-7 below, the error did not result in any underpayment to the County.

A-4. Billing Analysis

HF&H reviewed 163 total invoices provided by GWR to allow HF&H to test for systemic billing errors by reviewing several invoices from each jurisdiction. Of the 163 invoices tested, 20 were from Carmel customers, 20 were from Del-Rey-Oaks customers, 23 were from Marina customers, 20 were from Pebble Beach customers, 20 were from Pacific Grove customers, 20 were from Sand City customers, 22 were from Seaside customers, and 18 were from Santa Cruz County customers. The Franchising Agencies were sampled to include a variety of service levels for four customer types: residential, multi-family, commercial, and roll-off. Note that Santa Cruz County does not have roll-off customers included in this franchise.

Each invoice was compared to the current rate sheet published on GWR's website. Charges were checked against the rate sheet items for corresponding customer types and service levels. HF&H noted the amount GWR billed for each charge, and the correct charge for each line item.

Findings

There were no systemic issues found in GWR's billing. Of the 163 invoices reviewed, there were 8 total exceptions, which are summarized in the table below. Many of the exceptions are minor undercharges or overcharges. There was an instance where a multi-family cart customer in Del-Rey-Oaks was charged $7.37 for recycling in error. GWR remedied the error by issuing a refund to the customer for each billing period that the customer was overcharged.

Figure 2: GWR Billing Errors

Jurisdiction	Number Tested	Number Of Exceptions	Comments
Carmel	20	2	Undercharge for Commercial 1 YD Garbage and Roll-Off Organics
Del-Rey-Oaks	20	1	Customer was charged for recycling in error. GWR issued a refund to the customer
Marina	23	0	
Pebble Beach	20	3	Two customers undercharged. Commercial customer overcharged $1.56.
Pacific Grove	20	1	Roll-Off customer overcharged $28.37.
Sand City	20	1	Residential customer overcharged $1.35 for additional refuse cart
Seaside	22	0	
Santa Cruz County	18	0	
TOTAL	**163**	**8**	

Recommendation

GWR has agreed to conduct a billing and performance review by a third party per the terms of the Agreements in calendar year 2022 in order to further identify any potential systematic errors within the billing system and remedy them. HF&H also recommends that GWR perform periodic audits of their billing system to ensure customers are charged according to the rate sheet. Additionally, GWR must periodically check that customers are in the correct customer class in their billing system.

A-5. Facilities Use Analysis

HF&H reviewed GWR's Santa Cruz County quarterly reports from Q3 2018 and Q2 2021 and compared the facilities listed in the tonnage reconciliation section to the facilities allowed in the Agreement. We found that GWR's quarterly reports for the MRWMD Agencies do not include tonnage reconciliation by facility in quarterly reports, and so HF&H could not check for use of approved facilities through reporting. HF&H confirmed that GWR uses the approved facilities for its MRWMD Agencies through review of tonnage reports historically provided by MRWMD and compared to GWR's quarterly and annual reports. Additionally, it should be noted that GWR would be disadvantaged to use other facilities, as the approved facility tonnage reports form the basis of the tonnage cost component when setting rates.

Findings

GWR is in compliance with the facilities listed in the Agreement. GWR Santa Cruz County disposes of solid waste at Ben Lomond Transfer Station and Buena Vista Landfill. The County processes organic materials at the Buena Vista Composting Facility and MRWMD's composting facility. The County's recyclables are sent to the GreenWaste MRF, and the San Jose MRF. Material collected for the MRWMD Agencies are delivered to the MRWMD as required per the Agreement.

Recommendation

It is recommended that GWR add a tonnage reconciliation by facility table to quarterly tonnage reports for the MRWMD, similar to the one included in Santa Cruz County's tonnage report.

A-6. Asset Analysis

HF&H conducted a detailed review of GWR's vehicle capital. Current vehicle inventory data was gathered from the Franchising Agencies' 2020 annual reports. The vehicle inventory listed in the annual reports was then compared to the vehicle capital proposed in Exhibit G2 Form 4 of the Agreement.

Findings

MRWMD Vehicle Capital

GWR proposed 48 total vehicles to service the MRWMD in the Agreement signed in 2014 and, as of the 2020 Annual Report, owned 48 vehicles. GWR had proposed to own 21 side-loader collection vehicles, but owned 18 as of 2020. GWR is also using an additional five front or rear loading vehicles instead of the anticipated side loaders based on the account types for the MRWMD agencies. The findings are summarized in the table below.

Figure 3: GWR Vehicle Inventory Capital

MRWMD Vehicle Inventory Capital			
Vehicle Type	Total Vehicles Proposed	Total Vehicle Inventory*	Difference (Proposed - Inventory)
Side Loader	21	18	3
Front & Rear Loader	6	11	-5
Roll-Off	3	6	-3
Flatbed	1	2	-1
Utility	8	5	3
Outreach	3	4	-1
Total Vehicles	**42**	**48**	**-6**

*Total inventory per 2020 Annual Report

Santa Cruz County Vehicle Capital

HF&H found that GWR misreported vehicle capital in its Santa Cruz County annual reports. GWR neglected to add spare vehicles bought prior to 2017, even though they use these vehicles to service the County. Upon further investigation, HF&H found that GWR failed to purchase two new side-loader collection vehicles and instead used spare vehicles to service two of the County's routes (see the actual required vs, actual new in the table below).

Two additional difficult to service routes were required beyond what was anticipated in the initial proposal, and GWR also services these routes with spare collection vehicles. GWR feels the two additional routes required after signing the Agreement are offset by the two routes that they had been running with spare trucks, and that the new trucks requested for SB 1383 are justified because they are already running two additional routes with old vehicles. GWR has agreed to purchase the two vehicles that will be required to replace the two routes currently being run with older spare vehicles at no additional cost. This does not include the two additional vehicles that will need to be purchased as a result of the demonstrated need for two additional difficult to service routes which will be part of the rate application for the July 1, 2022 rate adjustment.

Figure 4: GWR Santa Cruz County Vehicle Capital

Santa Cruz County Vehicles	Total Vehicle Capital Requirements Per Franchise Agreement (Actual + Spare)			Totals from 2020 Annual Report and August 2021 Asset List		
Vehicle Type	**Actual**	**Spare**	**Proposed**	**Actual (New)**	**Spare (Old)**	**Total**
Side Loader	32.00	3.00	35.00	30.00	5.00	35.00
Front & Rear Loader	10.00	2.00	12.00	10.00	2.00	12.00
Difficult to Service				-	2.00	2.00
Roll-Off	-	-	-	-	-	-
Flatbed	1.00	0.50	1.50	1.50	0.50	2.00
Total Collection Vehicles	**43.00**	**5.50**	**48.50**	**41.50**	**5.50**	**51.00**
Total Other Vehicles	8.00	-	**8.00**	8.50	1.50	**12.00**
Total Vehicles	**51.00**	**5.50**	**56.50**	**50.00**	**7.00**	**63.00**

Recommendation

- GWR must include all spare vehicles in their annual report that are used to service Santa Cruz County.

- HF&H recommends Franchising Agencies confirm that GWR purchases new vehicles required for SB 1383 rather than using spare vehicles (with the exception of the use of old vehicles during lead time for new trucks to arrive) and that the two (2) vehicles which should have been purchased as new rather than using older spare vehicles be purchased at no additional cost to Santa Cruz County. If these vehicles are not put in service by the time of the July 2023 Rate Application they should be excluded from the allowable depreciation until such time as the assets are put into service.

A-7. Reporting Standards Analysis

HF&H reviewed timestamps indicating when GWR submitted reports to the Franchising Agencies, and compared those timestamps to the deadlines indicated in the Agreement. Additionally, HF&H noted when certain reports were submitted on time as these were found to be inaccurate and had to be submitted again.

When reviewing annual and quarterly reports. HF&H noted any inaccuracies and included them in the findings below.

Findings

- GWR submitted quarterly and annual reports on time with one exception. GWR submitted the Quarter 4 2018 report to Santa Cruz County on Friday, February 22, 2019. The report was due to the County on February 15, 2019.
- While reports were submitted on time with one exception, clarification and corrections have often been needed, particularly at the beginning of the Agreements and/or during staff turnover.
- GWR misreported the number of vehicles in annual reports for Santa Cruz County. GWR has only been reporting vehicles purchased after 2017, although they additionally use older vehicles to service the County as allowed for spare vehicles.
- Errors were found in GWR's Santa Cruz County quarterly revenue reports for Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q2 2020 and Q3 2020. GWR failed to include the AB 1826 infrastructure fee in each of these reports, resulting in GWR reporting the fee that they paid as 0% of gross receipts instead of 3% of gross receipts. This resulted in a total error of $1,196,109.14 over the six quarters. However, HF&H confirmed through an audit of GWR's checks that GWR did indeed pay $1,195,978.15 in AB 1828 infrastructure fees to the County during these quarters.
- Because the franchise fee for Santa Cruz County is calculated from gross revenue (as opposed to gross receipts), the franchise fee is also reported incorrectly for Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q2 2020 and Q3 2020. HF&H verified that the correct franchise fees were paid each quarter through an audit of GWR's checks for the specified quarters.

Recommendation

- As noted in the Performance Standards Analysis, HF&H recommends that the assessment of liquidated damages be evaluated should fee calculations continue to be incorrect or misreported in the future.
- Additionally, liquidated damages may be assessed for each year that vehicles were misreported in annual reports. The Agencies should monitor and evaluate whether this is an appropriate remedy.

- GWR must address issues that led to the misreporting, as noted in the Performance Standards Analysis. It is recommended that GWR have another staff member verify that all reports are correct before submittal.

A-8. Fee Payment Review

HF&H reviewed a random selection of GWR's quarterly revenue reports for the Franchising Agencies. For fees not covered in the revenue, HF&H requested GWR provide checks for each year as proof that the required fee was paid.

Findings

- Pacific Grove's franchise fee payment was intended to increase from 10% to 12% in Q1 of 2016, and to 14% instead of 10% in Q4 of 2015. GWR missed these increases but paid back the past due monies once the issue was noticed. The issue has been resolved.
- GWR failed to increase the amounts of The Central Coast Media Coalition and Santa Cruz Green School Payments starting with Rate Period 2, as required by the Agreement. The total amount owed over three years was $6,095.26 for the Santa Cruz Green Schools Program and $4,063.51 for the Central Coast Recycling Media Coalition. GWR remedied the situation by paying back both fees, the monies owed, along with submitting a letter to each organization explaining the mistake.

Recommendation

HF&H recommends that both GWR and the Franchising Agencies review fee payments to make sure that they are in compliance with the Agreement. That includes making sure fees are escalated appropriately where required by the Agreement.

A-9. Insurance and Performance Bonds Review

HF&H reviewed the insurance and performance bond requirements based on each Franchising Agency's Agreement requirements. GWR provided the current insurance certificates and performance bonds for each Franchising Agency, which was reviewed in comparison to the individual agreement requirements. It is important to note the following: 1) the insurance requirements have not changed since the effective date of the Agreements; and 2) the performance bond amounts have adjusted at least once (Santa Cruz County was adjusted once and all other bonds were adjusted twice) since the effective date of the Agreements.

Findings

HF&H has found that GWR did not have the obligatory minimum amount of insurance as required by *any* of the Agreements since the beginning of the term. This issue was present until this error was discovered during this review. Upon notifying GWR, GWR promptly remedied these errors.

During this review, it was also determined that GWR did not have the requisite performance bonds amounts (which should have been adjusted in Rate Year 3 and Rate Year 6) and remedied this error promptly upon discovery.

Recommendation

HF&H recommends that the Franchising Agencies Risk Managers follow-up with GWR annually to confirm that they are holding the proper amount of insurance required. Furthermore, HF&H recommends that Franchising Agencies calculate, confirm, and enforce the performance bond amount for the remainder of the term (adjustment to occur during Rate Years 6 (County only), 9, and 12).

A-10. Liquidated Damages Assessment

HF&H requested information from GWR and all Franchising Agencies to determine whether any liquidated damages have ever been assessed against GWR. GWR has been threatened with liquated damages due to late submittals for rate applications in 2019 and public education and outreach performance in 2019; however, no liquidated damages were ever assessed.

Findings

No findings. Liquidated damages were never assessed.

Recommendation

N/A

B. Review of Assignment Terms

HF&H reviewed the proposed terms of the change in control between the Franchisee and Assignee, which included the information required by Section 12.6 of the Agreement. This review, along with the review performed in Section 2.C Review of Financial Condition of Franchisee and Assignee (below), is intended to assess whether the proposed sale would create undue risk to the Franchising Agencies and/or ratepayers resulting from the transaction.

Findings

Upon review of the terms of Assignment (and the review of the financial condition of the Franchisee and Assignee seen in Section 2.C below), HF&H has concluded that the Assignee will be able to make a reasonable return on investment without creating undue risk to the Franchising Agencies and/or ratepayers resulting from the transaction. Calculations based on the financial statements provided by the Franchisee show the Franchisee is in good health and meets, and should continue to meet, favorable returns based on industry standards. Additionally, the return-on-investment calculation has been demonstrated to fall within reasonable industry ranges.

Additionally, the Assignee's manager has demonstrated through its other ventures that the investment strategy it employs is, in part, based on further appreciating the value of the venture being purchased to raise the enterprise value of the entity that it acquires. This strategy ensures that the Assignee not only makes a reasonable rate of return through the operation itself, but also retains or increase the value of the operation as a whole should it choose to sell the operation in the future.

Recommendation

HF&H recommends that the Franchising Agencies continue to monitor operations and ensure that the Assignee continues to provide operations that meet the obligations of the Agreements throughout the

remaining term of the Agreement. The robust reporting requirements, along with the allowable cost-based rate adjustments, should be sufficient to monitor and ensure that the Assignee is continuing to operate in accordance with the Agreements.

C. Review of Financial Condition of Franchisee and Assignee

HF&H reviewed financial statements and other financial materials from both the Franchisee and Assignee to determine the financial health and stability of both. This included reviewing GWR and Zanker income statements and balance sheets for at least three full years and documenting key financial ratios for each company. HF&H compared these financial ratios to benchmarks for companies of a similar size within the solid waste industry. Based on this review and the information obtained during Section 2.B (above), HF&H has provided the results of this analysis and its opinion on whether the individual and combined financial performance of the companies is adequate to recover a reasonable return on the investment of the Assignee, and to maintain ongoing operating costs of the Franchisee without compromising operational performance under the Agreements. As appropriate, HF&H worked with GWR, the proposed Assignee, and the Franchising Agencies' legal counsel to determine the confidentiality of various documents provided by the Franchisee and Assignee and established appropriate procedures in maintaining that confidentiality.

HF&H calculated five financial ratios as described below:

Current Ratio: The current ratio roughly measures a company's ability to pay its current obligations. It is a measure of liquidity; the higher the ratio, the more liquid. It is calculated as the Total Current Assets / Total Current Liabilities.

Quick Ratio: The quick ratio is a more conservative measure than the current ratio to measure a company's ability to pay its obligations using only the most liquid assets. The higher the ratio, the more liquid. It is calculated as (Cash + Accounts Receivable) / Total Current Liabilities.

Debt to Equity Ratio: The debt to equity ratio measures the relationship between capital contributed by creditors and capital contributed by owners. A low ratio indicates greater financial safety and borrowing flexibility. It is calculated as Total Liabilities / Owners Equity.

Current Debt to Worth Ratio: The current debt to worth ratio expresses the relationship between capital contributed by owners and current capital contributed by creditors. The lower the ratio, the more easily it can cover or meet its debt obligation without having to sell a lot of assets. It is calculated as Current Liabilities / Net Worth

Profit Margin: The profit margin calculation measures a company's return on total sales. The higher the margin, the more return on its operations. It is calculated as Profit Before Taxes / Total Sales.

Findings

As summarized in the table below, GWR is more favorable than the industry benchmark in all five categories for the past three years. The financial performance of GWR is adequate to recover a reasonable return on the investment and maintain ongoing operating costs without compromising operational performance under the Agreement.

Figure 5: Financial Ratio Benchmarking – GWR

		Reporting Year						Ratios as Compared to Industry		
Type of Ratio	Measurement	2020	Industry 2020-21[1]	2019	Industry 2019-20[1]	2018	Industry 2018-19[1]	2020	2019	2018
Liquidity	Current Ratio	2.15	**1.10**	2.89	**1.10**	2.75	**1.30**	More Favorable	More Favorable	More Favorable
	Quick Ratio	1.47	**0.90**	2.13	**0.90**	1.60	**1.00**	More Favorable	More Favorable	More Favorable
Capital Structure	Debt to Equity Ratio	2.39	**2.50**	2.07	**2.80**	2.15	**2.40**	More Favorable	More Favorable	More Favorable
	Current Debt to Worth	0.46	**0.59**	0.31	**0.98**	0.30	**0.60**	More Favorable	More Favorable	More Favorable
Operating	Profit Margin	13.32%	**6.00%**	8.75%	**4.60%**	8.75%	**6.40%**	More Favorable	More Favorable	More Favorable

[1] *GWR RMAU Benchmark ID: 562111 Solid Waste Collection Financial Ratio Benchmarks for annual sales equal to or greater than $25 million.*

# of **More** Favorable	5	5	5
# of **Less** Favorable	0	0	0
# of **Even**	0	0	0

HF&H also reviewed GWR's sister companies, Zanker Road Resource management, LTD (Zanker) and Zero Waste Energy Development (ZWED). Zanker was more favorable in all categories in all three years except for the Debt-to-Equity Ratio in 2019 and 2020. ZWED was only more favorable in the Debt-to-Equity Ratio in 2020 and the Current Debt to Net Worth Ratio in 2018 and 2020; ZWED was less favorable in all other categories over the past three years. However, the ZWED operation has recently agreed to new terms with another city that changed the compensation methodology to a flat amount adjusted by CPI that is unaffected by tonnage volumes. This adjustment will provide relief to their current financial position and improve ZWED's financial ratios.

Recommendation

GWR and its affiliate companies appear to be in good financial standing. No Recommendation.

D. Review of Experience and Qualifications of Assignee

HF&H reviewed information regarding the experience, qualifications, and performance of the Assignee to assess their ability to perform at or above the levels of the current Franchisee. The experience and qualifications review included an evaluation of biographies, case studies, and organizational charts. The performance evaluation included a review of GWR and Zanker regulatory violations and litigation history. Because GWR and Zanker are not being replaced by another company, it made the most sense to review their performance as opposed to the Assignee.

Findings

Experience and Qualifications

HF&H found that most of the management for both GWR and Zanker will remain the same. The major changes for both companies are instead to the Board of Directors, with the addition of Paul Mitchener (MIRA) and three (3) additional board members that have not yet been identified. Tracy Adams (Current CEO of GWR) will remain as CEO, and will now serve as CEO for Zanker as well, in addition to now holding a position on the board of directors for both GWR and Zanker. Greg Ryan (Former CEO of Zanker) will now serve as COO of both GWR and Zanker. The remainder of executives for the following positions will also remain the same for GWR and Zanker: Director of Employee Relations (Zoraya Atayde) and CFO (Dave Tilton); CSO (Emily Hanson) will keep her position but will additionally be serving as CSO for Zanker. Furthermore, based on the organizational charts, it does not appear that any lower-level management or

staff will be affected by the change in control. MIRA has additionally stated that they intend to implement an incentive program for all senior management and executives have been offered a one-year retention agreement, but at the time of this report, only four people had been given a retention agreement including: Jimmy Moresco, Sara Treat, Emily Hanson, and Dave Tilton.

Litigation and Regulatory Performance

HF&H found that most of the regulatory violations were very minimal, with the exception of Zanker's Z-Best facility. They are currently in the process of expanding and seemingly allowed some construction permits to expire (grading) and/or did not get the required permits to continue work; including, continued construction (i.e., drainage and grading, three accessory structures, electrical, and offices and breakroom). The original notice of violation, which included nine violations, was sometime on or around August 2020 and only a select few of the violations have been resolved. GWZ was able to supply a draft compliance agreement provided by the County of Santa Clara and their responses to that draft, demonstrating that they are exercising appropriate diligence to resolve the matter.

HF&H has reviewed GreenWaste/Zanker's litigation history for the past five years, and there are only a few material things to note:

1. In 2019, there was a class action settlement against Zanker for violating California labor laws (total of ten allegations) regarding failure to pay minimum wage, overtime, providing meal or rest breaks, and failure to provide drinkable water (Zanker denied the allegations, but settled the suit with the claimants);
2. In 2019, ZWED agreed to pay a civil penalty of $37,000 to settle all claims related to Notices of Violations from the Bay Area Air Quality Management District.

Recommendation

Experience and Qualifications

HF&H recommends that the Franchising Agencies require GWR and Zanker to notify them if, and when, any new board members are appointed to the governance of the company. This is a one-time notice requirement for the initial Board composition after the transaction closes. HF&H further suggests that the Franchising Agencies require notification of any changes in senior management or executives for any reason within five years of this change in control occurring.

Litigation and Regulatory Performance

None of the litigation and regulatory issues identified are directly related to GWR's operations supporting the Franchising Agencies. Franchising Agencies may wish to periodically monitor GWR's compliance with applicable laws through the periodic performance reviews that are allowed under the Agreements.

CITY OF SAND CITY

RESOLUTION SC_____, 2021

RESOLUTION OF THE CITY COUNCIL OF SAND CITY APPROVING THE FIRST AMENDMENT TO THE FRANCHISE AGREEMENT WITH GREENWASTE RECOVERY

WHEREAS, the City of Sand City (the "City") entered into a franchise agreement with Greenwaste Recovery ("GWR") in 2014 (Resolution SC 14-58) for services related to the collection of solid waste, recyclable materials, and organic materials in Sand City (hereinafter the "Franchise Agreement"); and

WHEREAS, Senate Bill 1383 ("SB 1383") establishes regulatory requirements for jurisdictions, waste generators, waste haulers, solid waste facilities, and other entities to achieve State-wide organic waste disposal reduction targets in an effort to reduce methane emissions; and

WHEREAS, The Franchise Agreement provides the City with the right to direct GWR to modify the scope of services described in the Franchise Agreement or to otherwise modify its performance under the Franchise Agreement, subject to providing appropriate and agreed upon financial compensation; and

WHEREAS, SB 1383 requires the City to implement programs regarding organic waste collection, processing, transportation, contamination monitoring, records and reporting, public education, enforcement, and fulfill other requirements that the City does not solely have the staff capability or expertise by which to comply; whereby some of these responsibilities can be delegated to GWR, acting as the City's designee, through the Franchise Agreement; and

WHEREAS, during the performance of annual rate adjustments required by Article 8 of the Franchise Agreement, GWR and the City identified that the initially agreed-upon rate adjustment methodology in the Franchise Agreement resulted in annual rate adjustments with percentage changes for the different service rates not being accurately weighted between the cost of a service and the rate for that individual service, which is not in the best interest or benefit of either GWR or the City; and

WHEREAS, the City and GWR mutually wish to modify the 1) annual rate adjustment methodologies in the Franchise Agreement to more accurately and efficiently relate service expenses to the customer rates and 2) modify the services provided by GWR in regard to record keeping and reporting requirements of SB 1383; in each case to be in accordance with the terms and conditions of this First Amendment to the Franchise Agreement; and

WHEREAS, the City and GWR have agreed to 1) fund additional GWR personnel to conduct record keeping and reporting activities through those rates as adjusted when the cost-based rate adjustment process was performed for Rate Period Five and 2) GWR shall

not request any further funding from the City or through rates in order to employ or retain additional personnel related to the performance of record keeping and reporting requirements of the Franchise Agreement as well as additional record keeping and reporting endeavors from the implementation and compliance with SB 1383; and

WHEREAS, both the City and GWR have, in good faith, negotiated the changes for the First Amendment of the Franchise Agreement necessary to address administrative updates and the City's compliance with SB 1383 as set forth in Resolution Exhibit A, attached hereto and incorporated herein by this reference; and

WHEREAS, in September of 2021, GWR notified the City of their intent to sell their company to an investment fund operated by Macquarie (a global financial services and investment bank) whereby the proposed transaction for recapitalization of GWR will result in a 'change of control' (hereinafter "COC"), wherein the current stockholders of GWR and the current limited and general partners will transfer their respective stock or partnership interests; and

WHEREAS, pursuant to Section 12.6 of the Franchise Agreement, no assignment or other transfer, including the COC of GWR, is permitted without prior consent of the City, resulting in GWR's request of approval by the City for the COC; and

WHEREAS, GWR is expected to remain a stand-alone business entity with no anticipated change to staff or operations, and is anticipated to continue performance of services for Solid Waste, Recycling, and Organic Collection Services as specified in the First Amendment to the Franchise Agreement; and

WHEREAS, GWR submitted to the City the requisite transfer fee payment in the amount of $5,713.65, based on one percent (1%) of the gross receipts for the most recently completed rate period, pursuant to Section 12.6.A of the Franchise Agreement; and

WHEREAS, HF&H Consultants, LLC (hereinafter "HF&H), as a consultant to the Monterey Regional Waste Management District (hereinafter "MRWMD") and the MRWMD's joint powers agreement members, which includes the City, performed a review of the GWR provided documentation regarding the aforementioned assignment and COC, and has determined there to be no foreseeable negative repercussions to the City or level of service described and required in the First Amendment to the Franchise Agreement; and

WHEREAS, action by the City Council to establish, modify, and/or approve garbage collection services, through a contract agreement or other legal document, is exempt from CEQA (California Environmental Quality Act) per CEQA Guideline sections 15060(c)(2) and (3), nor does such action qualify as a Project per CEQA Guideline section 15378; and therefore, such action is not subject to CEQA.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Sand City to approve and adopt this First Amendment to the Franchise Agreement with GWR as presented in Resolution Exhibit A, attached hereto and incorporated herein by this

reference, and hereby directs the Mayor and/or the City Manager to sign on behalf of the City, whereby the First Amendment to the Franchise will be in full effect upon signature of both the City and GWR.

PASSED AND ADOPTED by the City Council of Sand City this ____ day of November, 2021, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED:

ATTEST:

_____
Mary Ann Carbone, Mayor

_____
Connie Horca, City Clerk

RESOLUTION EXHIBIT A

SC 21-_____

AMENDMENT #1 TO FRANCHISE AGREEMENT

BETWEEN

CITY OF SAND CITY

AND

GREENWASTE RECOVERY, INC.

FOR SOLID WASTE, RECYCLING, AND ORGANIC COLLECTION SERVICES

NOVEMBER 16, 2021
DRAFT SUBJECT TO FINAL QUALITY REVIEW

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This Amendment #1 to the Franchise Agreement Between the City of Sand City and Green Waste Recovery, Inc. for Solid Waste, Recycling, and Organic Collection Services ("Amendment #1"), is made and entered into between the City of Sand City, a political subdivision of the State of California (hereafter "Agency") and GreenWaste Recovery, Inc. a California corporation (hereafter "Contractor"), each of which may be referred to individually as a "Party" or together as the "Parties."

RECITALS

This Amendment #1 is made and entered into on the basis of the following facts, understandings, and intentions of the Parties:

WHEREAS: The Parties entered into a Franchise Agreement for Solid Waste, Recycling, and Organic Materials Collection on August 19, 2014, ("Agreement" capitalized terms used but not defined herein shall have the meanings given to them in the Agreement); and,

WHEREAS: The Agreement provides Agency with the right to direct Contractor to modify the scope of one or more types of service described in the Agreement, or to otherwise modify its performance under the Agreement, subject to providing additional compensation; and,

WHEREAS: during the performance of annual Rate adjustments required by Article 8 of the Agreement, Parties identified that the initially agreed-upon Rate adjustment methodology resulted in annual Rate adjustment with differing percentage changes for different Rates and changes to relationships between different service Rates, which was not a desirable outcome of the Parties; and,

WHEREAS: Agency and Contractor have agreed to: (a) fund additional Contractor personnel to conduct record keeping and reporting activities through Rates when the cost-based Rate adjustment process was performed for Rate Period Five; and, (b) Contractor agrees it shall not request further funding from Agency or through Rates in order to employ or retain additional personnel related to the performance of record keeping and reporting requirements as required by the Agreement as well as additional record keeping and reporting efforts that may result from the implementation of SB 1383 regulations; and,

WHEREAS: Agency and Contractor wish to modify: (a) the annual Rate adjustment methodologies in the Agreement; and, (b) the services specified within the Agreement and to be provided by Contractor with relation to record keeping and reporting requirements required by Senate Bill 1383, in each case in accordance with the terms and conditions of this First Amendment;

WHEREAS: SB 1383 establishes regulatory requirements for jurisdictions, Generators, haulers, Solid Waste facilities, and other entities to support achievement of State-wide Organic Waste Disposal reduction targets; and,

WHEREAS: SB 1383 requires the Agency to implement Collection programs, meet Processing facility requirements, conduct contamination monitoring, provide education, maintain records, submit reports, monitor compliance, conduct enforcement, and fulfill other requirements; and, the Agency has chosen to delegate some of its responsibilities to the Contractor, acting as the Agency's designee, through this Agreement; and,

WHEREAS: Both Parties have, in good faith, negotiated changes to the Agreement necessary to support the Agency's compliance with SB 1383, as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions herein contained, Agency and Contractor do hereby agree as follows:

I. EFFECTIVE DATE

This Amendment #1 shall become effective on the date this Amendment is signed by both Parties.

II. PROGRAM AMENDMENTS TO AGREEMENT

Article 1. Grant and Acceptance of Franchise

1.2 Limitations to the Franchise

1. Article 1, Section 1.2 of the Agreement is hereby amended to add the following subsections:

"K. Edible Food, which is collected from a Generator by other Person(s), such as a Person from a Food Recovery Organization or Food Recovery Service, for the purposes of Food Recovery; or which is transported by the Generator to another Person(s), such as a Person from a Food Recovery Organization, for the purposes of Food Recovery, regardless of whether the Generator donates, sells, or pays a fee to the other Person(s) to collect or receive the Edible Food from the Generator.

L. Food Scraps that are separated by the Generator and used by the Generator or other Person(s) for lawful use as animal feed, in accordance with 14 CCR Section 18983.1(b)(7). Food Scraps intended for animal feed may be Self-Hauled by Generator or hauled by another party."

Article 4. Scope of Services

2. Article 4 of the Agreement is hereby amended to include the following:

"Contractor shall perform the Solid Waste, Recyclable Materials, Organic Materials, Reusable Materials, and C&D services described in this Article 4. This Article 4 describes the general requirements for the services to be provided. More specific requirements for how each service shall be provided to each Customer Type are described in Exhibit B. Failure to specifically require an act necessary to perform the service does not relieve Contractor of its obligation to perform such act."

4.2 Recyclable Materials

3. Article 4, Section 4.2 of the Agreement is hereby amended to read as follows:

"Contractor shall provide Recyclable Materials Collections services as described in Exhibit B.

Contractor agrees to Transport and deliver all Recyclable Materials placed by Customers in Recyclable Material Containers in Agency to the Approved Recyclable Materials Processing Facility. All tipping fees and other costs associated with Transporting to and Processing Recyclable Materials at the Approved Recyclable Materials Processing Facility shall be paid by Contractor. All contamination fees charged by the Approved Recyclable Materials Processing Facility shall be paid by Contractor and shall be allowable and recoverable as one-time costs provided in Exhibit E.

Contractor shall observe and comply with all regulations in effect at the Approved Recyclable Materials Processing Facility and cooperate with and take direction from the operator thereof with respect to delivery of Recyclable Materials. Contractor shall actively work with the Approved Recyclable Materials Processing Facility operator throughout the Term of this Agreement to minimize contamination of the Recyclable Materials Collected under this Agreement and delivered to the Processing Facility."

4.3 Organic Materials

4. Article 4, Section 4.3 of the Agreement is hereby amended to read as follows:

"Contractor shall provide Organic Material Collections services as described in Exhibit B.

Contractor agrees to Transport and deliver all Organic Materials placed by Customers in Organic Material Containers in Agency to the Approved Organic Materials Processing Facility. All tipping fees and other costs associated with Transporting to and Processing Organic Materials at the Approved Organic Materials Processing Facility shall be paid by Contractor. All contamination fees charged by the Approved Organic Materials Processing Facility shall be paid by Contractor and shall be allowable and recoverable as one-time costs provided in Exhibit E.

Contractor shall observe and comply with all regulations in effect at the Approved Organic Materials Processing Facility and cooperate with and take direction from the operator thereof with respect to delivery of Organic Materials. Contractor shall actively work with the Approved Organic Materials Processing Facility operator throughout the Term of this Agreement to minimize contamination of the Organic Materials Collected under this Agreement and delivered to the Processing Facility."

4.4 Construction and Demolition Debris (C&D)

5. Article 4, Section 4.4 of the Agreement is hereby amended to read as follows:

"Contractor shall work with the Customer to determine the best approach to facilitate CalGreen compliance through offering Source Separated or Mixed C&D Collection services as described in Exhibit B. C&D Collection service shall be a temporary service, provided only at sites where construction, alteration, remodeling, repair, or demolition operations are being performed. C&D Collection services shall be provided to any Customer upon request.

Contractor shall Transport all C&D Collected under this Agreement to the Approved C&D Processing Facility. Contractor shall pay all tipping fees and other costs associated with Transporting and Processing C&D. All contamination fees charged by the Approved C&D Processing Facility shall be paid by Contractor and shall be passed on to the Customer.

Contractor shall observe and comply with all regulations in effect at the Approved C&D Processing Facility and cooperate with and take direction from the operator thereof with respect to delivery of C&D."

4.7 Public Education and Outreach

6. Article 4, Section 4.7 of the Agreement is hereby amended to read as follows:

"The public education and outreach activities included in the scope of services provided by Contractor under this Agreement are described in Exhibit C. Each piece of collateral identified in Exhibit C as

unique must be developed and distributed. In the event the Agency approves any deviation to the outreach pieces identified in Exhibit C, approval shall be obtained by email and the approval email shall be provided with the next Quarterly report. In addition, Contractor shall spend no less than $1,694 on collateral development and/or distribution beginning in calendar year 2022. This amount shall be adjusted annually beginning January 1, 2023 and each year thereafter by adjusting the prior year's amount by the same percentage adjustment applied to Customer Rates on the prior July 1st. If Contractor spends less than the specified amount in a calendar year on collateral development and distribution, the amount remaining shall be credited to ratepayers during the next annual adjustment on the July 1st following the close of the calendar year as a one-time "other" adjustment."

4.9 Customer Service Program

7. Article 4 Section 4.9.2 Service Requests, Compliments, Complaints of the Agreement is hereby amended to read as follows:

"Contractor shall be responsible for the prompt and courteous attention to, and prompt and reasonable resolution of, all Customer service requests and complaints. Contractor shall record in a separate log, approved as to form by Agency Contract Manager, all complaints, noting the name and address of complainant, date and time of complaint, nature of complaint, and nature and date of resolution. The Contractor shall retain this complaint log for the Term. Upon request by the Agency Contract Manager, Contractor shall compile and submit a summary statistical table of the complaint log.

Contractor shall respond to all complaints received within twenty-four (24) hours, weekends and Holidays excluded. In particular, if a complaint involves a failure to Collect Solid Waste, Recyclable Materials or Organic Materials from a Premises in the Agency, Contractor shall Collect the material in question within twenty-four (24) hours of receipt of the Complaint, provided that Generator has properly placed materials for Collection."

4.10 Generator Waivers

8. Article 4 of the Agreement is hereby amended to add the following subsections:

"A. Types of Generator Waivers

1. General. Agency may grant waivers described in this Section to Generators that impact the scope of Contractor's provision of service for those Generators. Waivers issued shall be subject to compliance with SB 1383 Regulatory requirements, pursuant to 14 CCR Section 18984.11, or other requirements specified by the Agency.

2. De Minimis Waivers. The Agency may waive a Multi-Family or Commercial Generator's obligation to comply with some or all of the Source Separated Recyclable Materials and/or Source Separated Organic Materials requirements set forth in this Agreement, SB 1383 Regulations, and the Agency's Municipal Code so long as the Multi-Family or Commercial Generator provides documentation or the Agency has evidence demonstrating one of the following de minimis conditions:

a. The Multi-Family or Commercial Generator's total Solid Waste Collection service is two (2) cubic yards or more per week, and Source Separated Recyclable Materials subject to Collection in a Recyclable Materials Container comprises less

than twenty (20) gallons per week, per applicable Container, of the Multi-Family's or Commercial's total waste; or,

b. The Multi-Family or Commercial Generator's total Solid Waste Collection service is less than two (2) cubic yards per week, and Organic Materials subject to Collection in an Organic Materials Container comprises less than ten (10) gallons per week, per applicable Container, of the Multi-Family's or Commercial total waste.

3. Physical Space Waivers. The Agency may waive a Multi-Family or Commercial Generator's, obligation to comply with some or all of the Source Separated Recyclable Materials or Source Separated Organic Materials Collection service requirements set forth in this Agreement, SB 1383 Regulations, and Agency's Municipal Code if the Multi-Family Generator, Commercial Generator provides documentation, or the Agency has evidence from its staff, the Contractor, licensed architect, or licensed engineer demonstrating that the Premises lacks adequate space for Recyclable Materials Containers and/or Organic Materials Containers.

B. Contractor Waiver Request on Behalf of Generator. Upon reasonable belief that a Generator that is a Generator may qualify for a dem minimis or physical space waiver, the Contractor may submit a request to the Agency to grant a waiver to the Generator, provided that adequate evidence of the de minimis or physical space waiver requirements specified in 14 CCR Section 18984.11 is included with the request. Agency shall review and approve or deny the waiver request. Contractor's request for consideration of a waiver shall include the Generator's name and address, type of Commercial business or number of Multi-Family units if Generator is a Multi-Family Premises, reasons Generator may be eligible for the waiver, and evidence such as, but not limited to: Service Level data, photo documentation, weight records, and technical assistance assessment results.

D. Contractor Change in Customer's Service Levels. When the Agency grants a waiver to a Generator that is a Customer, the Agency shall notify the Contractor within five (5) days of the waiver approval with information on the Customer and any changes to the Service Level or Collection service requirements for the Customer. Contractor shall have five (5) days to modify the Customer's Service Level and billing statement, as needed.

E. Contractor Recordkeeping of Customers' Granted Waivers. Upon Contractor request, no more than four (4) times per year, the Agency shall provide Contractor an updated listing of waivers approved by the Agency, including the Customer' names, mailing address, service address, and type of waiver. Contractor shall maintain waiver-related records pursuant to Exhibit D."

4.11 Edible Food Recovery Program Support

9. Article 4 of the Agreement is hereby amended to add the following subsection:

"A. Contractor Cooperation and Non-Interference with Food Recovery Efforts by Others. Contractor shall cooperate with and shall not impede, interfere, or attempt to impede or interfere with the implementation, expansion, or operation of Food Recovery efforts in the Agency."

4.12 Contamination Monitoring

10. Article 4 of the Agreement is hereby amended to add the following subsection:

"A. Noticing of Generators with Contamination, Non-Collection, and Disposal of Materials. Upon identification of Prohibited Container Contaminants in a Customer's Container, Contractor shall provide the Customer with a with a non-Collection notice or courtesy notice as required in Section 1 of Exhibit C.

B. Quarterly Reporting Requirements. Contractor shall maintain records and report to the Agency quarterly on contamination monitoring activities and actions taken, in accordance with Exhibit D."

Article 5. Standard of Performance

5.5 Container Requirements

11. Article 5, Section 5.5 of the Agreement is hereby amended to read as follows:

"Contractor shall provide all Carts, Bins, and Drop Boxes to all Customers as part of its services. Contractor-provided Containers shall be designed and constructed to be watertight and prevent the leakage of liquids. All Containers shall display the Contractor's name, local telephone number, and some identifying inventory or serial number.

In the interest of creating effective and consistent public education and outreach, Contractor will utilize its Containers to reinforce public education messages. All Solid Waste Containers shall be grey in color. All Recyclable Materials Containers shall be blue in color. All Organic Materials Containers shall be green in color. Containers for Collection of C&D may be in any color, provided that the colors do not conflict with the Container color requirements of this Section and provided that the C&D Container colors are consistent for all C&D Containers. The C&D Container color shall be reviewed and approved by the Agency on or before December 31, 2021 and Contractor shall only be directed to modify the color of the C&D containers if all Agencies agree on the color and Contractors actual costs to repaint existing C&D containers shall be fully recoverable to Contractor within one (1) year of incurring such costs. Contractor's Containers shall also be labeled with a list of acceptable materials and a list of prohibited materials and such labels shall be in both English and Spanish. Specific color selections and labels shall be approved by the Agency Contract Manager prior to placing the order for any new Containers.

Contractor shall provide Customers (including Single-Family, Multi-Family, Commercial, and Agency facility Customers) with Collection Containers as requested by the Customer, Agency, or District to meet its desired Service Level within five (5) Business Days of Service provider's first receipt of the Customer request. If an existing Container is replaced by the Contractor from a Customer's Premises for any reason on or after January 1, 2022, the Contractor shall replace the Container with a Container that complies with the color and labeling requirements of this Section 5.5.

All Containers shall be maintained in a safe, serviceable, and functional condition and present a clean appearance. Customers using Carts shall be responsible for cleaning such Carts. Contractor shall steam clean and repaint all Containers, except Carts, as requested by Customer or as deemed necessary by Contractor to present a clean appearance. If Customer requests steam cleaning more frequently than one (1) time per year, Contractor may charge the Customer at approved Rates for

such service. If any Container is impacted by graffiti, Contractor shall remedy the situation within fourteen (14) calendar days of notification at no additional charge.

5.6 Personnel

12. Article 5, Section 5.6 of the Agreement is hereby amended to add the following subsection:

"E. Record Keeping and Reporting Personnel. During the Rate adjustment process to determine Rates for Rate Period Five, Contractor and Agency reviewed the number of personnel Contractor assigned to perform record keeping and reporting activities required by this Agreement and agreed to fund additional personnel above the level reflected in Contractor's Proposal (and shown in Exhibit G). Contractor agrees that the augmentation of record keeping and reporting personnel shall be sufficient throughout the Term and agrees that Contractor may not request additional personnel or resources for the performance of any increased record keeping and reporting requirements resulting from the implementation of SB 1383."

Article 6. Record Keeping and Reporting

6.2 Report Submittal Requirements

13. Article 6, Section 6.2 of the Agreement is hereby amended to read as follows:

"For reports and documentation specifically related to demonstrating Agency S1383 compliance, Contractor shall provide all such reports to the Agency Contract Manager and/or MRWMD within five (5) Business Days of such request. Contractor shall submit quarterly reports within thirty (30) calendar days after the end of the calendar quarter. Contractor shall submit annual reports no later than forty-five (45) calendar days after the end of each calendar year. Quarterly and annual reports shall, at a minimum, include all data and information as described in Exhibit D.

Contractor may propose report formats that are responsive to the objectives and audiences for each report. The format of each report shall be approved by the Agency Contract Manager and such approval shall not be unreasonably withheld. Agency Contract Manager may, from time to time during the Term, review and request changes to Contractor's report formats and content and Contractor shall not unreasonably deny such requests; provided, however, that Contractor shall be entitled to compensation adjustments if Agency Contract Manager's requested changes to Contractor's report formats and content materially increase Contractor's reporting requirements or time required to prepare, compile, assemble or otherwise create such reports and Contractor.

Contractor shall submit (via mail and e-mail) all reports in Excel©, csv, or other formats compatible for uploading into Agency managed record keeping and reporting systems to the Agency Contract Manager with a copy to the General Manager (or their designated representative) of the MRMWD. Agency reserves the right to require Contractor to provide additional reports or documents as Agency Contract Manager reasonably determines to be required for the administration of this Agreement or compliance with Applicable Law.

For complaints the Contractor receives regarding Generator or Property Owner non-compliance with SB 1383, Contractor shall record such complaints separately from other complaints in a SB 1383 log. SB 1383 complaints shall not be considered complaints related to the Contractor's performance under this Agreement unless the individual filing the complaint specifically alleges the

Contractor's non-performance. Contractor shall maintain records and report to the Agency quarterly on SB 1383 related complaints in accordance with Article D."

Article 8. Contractor's Compensation and Rate Setting

14. Article 8, Section 8.2.C of the Agreement is hereby amended to read as follows:

"Rates for Subsequent Rate Periods. Rates for subsequent Rate Periods shall be adjusted annually in accordance with this Section 8.2 and Exhibit E. The index-based adjustment, which is described in Exhibit El, involves use of various cost adjustment factors (such as the percentage change in the consumer price index and percentage change in the Approved Facility tipping fees} to calculate adjusted Rates. Such Rate adjustment calculations shall be performed in strict conformance to the procedures described in Exhibit E1.

Up to three times during the initial term of the Agreement and up to once per extension period, each Party may request that Rates be adjusted using the cost-based methodology described in Exhibit E2 that involves a review of Contractor's actual costs and projection of cost for the coming Rate Period. This cost-based Rate adjustment, if requested by either Party, will be performed instead of the index-based rate adjustment for that Rate Period. The option to request a cost-based adjustment process during the Term of the Agreement is intended to provide the Parties an opportunity to adjust Rates to more accurately reflect actual costs of operations if the cost indices are not tracking with actual changes in costs. Such Rate adjustment calculations shall be performed in strict conformance to the procedures described in Exhibit E2. If either Party desires use of the cost-based methodology pursuant to Exhibit E2, such Party shall provide written notice to the other Party on or before November 1 of the Rate Period prior to the Rate Period for which the Rates would be adjusted using such methodology."

Article 10. Default and Remedies

10.1 Events of Default

15. Article 10, Section 10.1 of the Agreement is hereby amended to add the following subsection:

"P. Failure to Comply with Requirements of SB 1383. Contractor fails to comply with other requirements of the Agreement including, but not limited to, public education, reporting, recordkeeping and reporting, or other obligations of this Agreement that delegate the Agency's responsibility and/or authority under SB 1383 to the Contractor."

Article 12. Other Agreements of the Parties

16. Article 12, Section 12.9 of the Agreement is hereby amended to read as follows:

"All notices, demands, requests, proposals, approvals, consents, and other communications, which this Agreement requires authorizes or contemplates, shall be in writing and shall either be personally delivered to a representative of the Parties at the address below or deposited in the United States mail, first class postage prepaid, addressed as follow:

If to Agency:

City Manager
Sand City City Hall

1 Pendergrass Way
Sand City, CA 93955

If to Contractor:

Tracy Adams
Chief Executive Officer
610 E. Gish Road
San Jose, CA 95112

The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Section. Notice shall be deemed given on the day it is personally delivered or, if mailed, three (3) calendar days from the date it is deposited in the mail."

Article 13. Miscellaneous Agreements

13.8 Consent to Change in Control and Transitional Assignment

17. Article 13, Section 13.8 is added to the Agreement:

"A. Consent to Change in Control.

The Agency acknowledges Contractor entered into an agreement dated as of August 28, 2021 (the "Transaction") to sell all or substantially all of its outstanding capital stock to MIP V Waste, LLC, a Delaware limited liability company ("Company"), which would result in a change of control of Contractor to Company. Agency engaged HF&H Consultants ("Consultant") to review the Transaction and opine on a resultant change of control of Contractor pursuant to Section 12.6 of the Agreement (the "Evaluation Report").

Notwithstanding any provision in this Agreement, Agency hereby approves and consents to the change of control of Contractor to Company pursuant to Section 12.6 of the Agreement (the "COC Approval"). The COC Approval shall in no event be deemed an event of default or cause or result in any default or violation under, termination of, or any other effect on this Agreement. The COC Approval shall become effective immediately upon execution by Agency of this Agreement provided, that the COC Approval and this Section 13.8 shall be deemed null and void if Contractor furnishes written notice to Agency that it will not consummate the Transaction.

In consideration of the COC Approval, Agency may request that Rates be adjusted one additional time during the remaining term of the Agreement after November 16, 2021 using the cost-based methodology and rate adjustment procedures described in Section 8.2.C and Exhibit E2 of the Agreement.

B. Calendar Year 2022 Transitional Assignment.

Agency acknowledges that Company, no later than December 31, 2022, may cause Contractor and its affiliates to undergo a reorganization and, in connection therewith, Contractor may assign the Agreement to an affiliate of the Company ("Proposed

Assignee") in a manner that would otherwise constitute an assignment pursuant to Section 12.6 of the Agreement ("Future Assignment"). For the purposes of this Section 13.8, "affiliate" of the Company shall only include MIP V Waste (ECI) AIV, L.P. (together with Macquarie Infrastructure Partners V, L.P., Macquarie Infrastructure Partners V SCSp). Effective upon the COC Approval, the Agency approves and consents to any Future Assignment, and such assignment shall in no event be deemed an event of default or cause or result in any default or violation under, termination of, or any other effect on this Agreement, upon the satisfaction of the following:

1. Contractor furnishes thirty (30) calendar days written notice to Agency following the closing of any Future Assignment ("Notice"). The Notice shall describe the assignment in general terms, and identify the Proposed Assignee, as that term is defined herein below.

2. Within thirty (30) calendar days of the Notice, Consultant provides written confirmation to Contractor and the Agency that the assignment hereunder is to an affiliate in accordance with this Section 13.8.B and does not result in a change in governance or management.

3. By furnishing Notice to Agency, Proposed Assignee represents and warrants to Agency that it accepts the assignment of the Agreement from Contractor, and that it assumes all of the rights, interests, and obligations of the Agency under this Agreement.

Contractor acknowledges that Agency is providing such consent upon representations by Contractor that any such reorganization shall not result in any adverse changes in the quality or frequency of services provided under this Agreement, and that Contractor acknowledges that any such reorganization shall not be grounds for an increase in rates under the terms of this Agreement. "

Exhibit A Definitions

Modified Definitions

18. Exhibit A of the Agreement is hereby amended to modify the following definitions:

"**Approved Recyclable Materials Processing Facility**. The Monterey Regional Waste Management District Compost Facility at 14201 Del Monte Blvd, Marina, CA 93933, which is owned and operated by the MRWMD.

Construction and Demolition Debris. Those materials collected as C&D by Contractor and accepted at the Approved C&D Processing Facility as C&D and includes Source Separated discarded building materials, packaging, debris, and rubble resulting from construction, alteration, remodeling, repair or demolition operations on any pavements, excavation projects, houses, Commercial buildings, or other structures, excluding Excluded Waste.

Discarded Materials. means Solid Waste, Recyclable Materials, Organic Materials, and C&D placed by a Generator in a receptacle and/or at a location for the purposes of Collection by Contractor,

excluding Excluded Waste and Edible Food that is recovered for human consumption that is not discarded.

Food Scraps. Discarded Materials that will decompose and/or putrefy including: (i) all kitchen and table food waste; (ii) animal or vegetable waste that is generated during or results from the storage, preparation, cooking or handling of food stuffs; (iii) discarded paper that is contaminated with Food Scraps; (iv) fruit waste, grain waste, dairy waste, meat, and fish waste; and, (v) non-Recyclable paper or Food-Soiled Paper. Food Scraps are a subset of Organic Materials.

Recyclable Materials. Those Discarded Materials that are set out in Recyclables Containers by generators, that are Collected by Contractor as Recyclable Materials, and are specifically accepted by the Approved Recyclable Materials Processing Facility for the purpose of Recycling. Recyclable Materials are those materials that include, but are not limited to: newspaper (including inserts, coupons, and store advertisements); mixed paper (including office paper, computer paper, magazines, junk mail, catalogs, brown paper bags, brown paper, paperboard, paper egg cartons, telephone books, grocery bags, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal, and other similar food boxes yet excluding paper tissues, paper towels, paper with plastic coating, paper contaminated with food, wax paper, foil-line paper, Tyvex non-tearing paper envelopes); chipboard; corrugated cardboard; glass containers of any color (including brown, clear, and green glass bottles and jars); aluminum (including beverage containers and small pieces of scrap metal); steel, tin or bi-metal cans; mixed plastics such as plastic containers (no. 1 to 7); and, bottles including containers made of HDPE, LDPE, or PET. The definition of Recyclable Material is subject to change based on the requirements of the Approved Recyclable Materials Processing Facility.

Yard Trimmings. Those Discarded Materials that will decompose and/or putrefy, including, but not limited to, green trimmings, grass, weeds, leaves, prunings, branches, dead plants, brush, tree trimmings, dead trees, small pieces of unpainted and untreated wood, and other types of organic waste. Yard Trimmings are a subset of Organic Materials. Yard Trimmings placed for Collection may not exceed six (6) inches in diameter and three (3) feet in length and must fit within the Contractor provided Container. The definition of Yard Trimmings is subject to change based on the requirements of the Approved Organic Materials Processing Facility."

New Definitions

19. Exhibit A of the Agreement is hereby amended to add the following definitions:

"**Alternative Daily Cover (ADC).** Disposal Site cover material, other than Compostable material and at least six (6) inches of earthen material, placed on the surface of the active face of the refuse fill area at the end of each operating day to control vectors, fires, odors, blowing litter, and scavenging, as defined in 20690 of Title 27 of the California Code of Regulations.

Back-Haul. Generating and Transporting Organic Waste to a destination owned and operated by the Generator using the Generator's own employees and equipment, or as otherwise defined in 14 CCR Section 18982(a)(66)(A).

CalGreen. California Green Building Standards Code, 24 CCR, Part 11 as amended July 1, 2019 and effective January 1, 2020.

California Code of Regulations or CCR. The State of California Code of Regulations. CCR references in this Agreement are preceded with a number that refers to the relevant Title of the CCR (e.g., "14 CCR" refers to Title 14 of CCR).

Commercial Edible Food Generators. Tier One Commercial Edible Food Generators and Tier Two Commercial Edible Food Generators, or as otherwise defined in 14 CCR Section 18982(a)(7). For the purposes of this definition, Food Recovery Organizations and Food Recovery Services are not Commercial Edible Food Generators, or as otherwise specified by 14 CCR Section 18982(a)(7).

Edible Food. Food intended for human consumption. For the purposes of this Agreement, Edible Food is not Solid Waste if it is recovered and not discarded. Nothing in this Agreement requires or authorizes the recovery of Edible Food that does not meet the food safety requirements of the California Retail Food Code. If the definition in 14 CCR Section 18982(a)(18) for Edible Food differs from this definition, the definition in 14 CCR Section 18982(a)(18) shall apply to this Agreement.

Food Recovery. Actions to collect and distribute food for human consumption which otherwise would be disposed, or as otherwise defined in 14 CCR Section 18982(a)(24).

Food Recovery Organization. An entity that primarily engages in the collection or receipt of Edible Food from Commercial Edible Food Generators and distributes that Edible Food to the public for Food Recovery either directly or through other entities, including, but not limited to:

1. A food bank as defined in Section 113783 of the Health and Safety Code;

2. A nonprofit charitable organization as defined in Section 113841 of the Health and Safety code; and,

3. A nonprofit charitable temporary food facility as defined in Section 113842 of the Health and Safety Code.

Food Recovery Service. A Person or entity that collects and transports Edible Food from a Commercial Edible Food Generator to a Food Recovery Organization or other entities for Food Recovery; or as otherwise defined in 14 CCR Section 18982(a)(26).

Food-Soiled Paper. Pre- and post-consumer compostable paper material that has come in contact with food or liquid, such as, but not limited to, compostable paper plates, paper coffee cups, coffee filters, napkins, pizza boxes, and milk cartons. Unless otherwise provided in the definition of Food Scraps, Food-Soiled Paper is a subset of Food Scraps.

Food Scraps means those Discarded Materials that will decompose and/or putrefy including: (i) all kitchen and table food waste; (ii) animal or vegetable waste that is generated during or results from the storage, preparation, cooking or handling of food stuffs; (iii) discarded paper that is contaminated with Food Scraps; (iv) fruit waste, grain waste, dairy waste, meat, and fish waste; and, (v) non-Recyclable paper or contaminated paper. Food Scraps are a subset of Organic Materials. The definition of Food Scraps is subject to change based on the requirements of the Approved Organic Materials Processing Facility.

Grocery Store. A store primarily engaged in the retail sale of canned food; dry goods; fresh fruits and vegetables; fresh meats, fish, and poultry; and any area that is not separately owned within the store where the food is prepared and served, including a bakery, deli, and meat and seafood departments.

Non-Collection Notice. The Contractor's notice to Customer(s) as described in Section 4.12.

Organic Waste. Solid Wastes containing material originated from living organisms and their metabolic waste products including, but not limited to, food, Yard Trimmings, organic textiles and carpets, lumber, wood, Paper Products, Printing and Writing Paper, manure, biosolids, digestate, and sludges, or as otherwise defined in 14 CCR Section 18982(a)(46). Biosolids and digestate are as defined in 14 CCR Section 18982(a)(4) and 14 CCR Section 18982(a)(16.5), respectively.

Paper Products. Include, but are not limited to, paper janitorial supplies, cartons, wrapping, packaging, file folders, hanging files, corrugated boxes, tissue, and toweling; or as otherwise defined in 14 CCR Section 18982(a)(51).

Printing and Writing Paper(s). Include, but are not limited to, copy, xerographic, watermark, cotton fiber, offset, forms, computer printout paper, white wove envelopes, manila envelopes, book paper, note pads, writing tablets, newsprint, and other uncoated writing papers, posters, index cards, calendars, brochures, reports, magazines, and publications; or as otherwise defined in 14 CCR Section 18982(a)(54).

Prohibited Container Contaminants. The following: (i) Discarded Materials placed in the Recyclable Materials Container that are not identified as acceptable Source Separated Recyclable Materials; (ii) Discarded Materials placed in the Organics Materials Container that are not identified as acceptable Source Separated Organic Materials; (iii) Discarded Materials placed in the Solid Waste Container that are acceptable Source Separated Recyclable Materials and/or Source Separated Organic Materials to be placed in Organics Materials Container and/or Recyclable Materials Container; and (iv) Un-permitted Materials placed in any Container.

Property Owner. The owner of real property, or as otherwise defined in 14 CCR Section 18982(a)(57).

Related-Party Entity. All business (including corporations, limited and general partnerships, and sole proprietorships) which are directly or indirectly related to Contractor by virtue of direct or indirect Ownership interests or common management shall be deemed to be affiliated with Contractor and included within the term "Related-Party Entity" as used herein. A Related-Party Entity shall include a business in which Contractor Owns a direct or indirect Ownership interest, a business which has a direct or indirect Ownership interest in Contractor and/or a business which is also Owned, controlled, or managed by any business or individual which has a direct or indirect Ownership interest in Contractor. For purposes of determining whether an indirect Ownership interest exists, the constructive Ownership provisions of Section 318(a) of the Internal Revenue code of 1986, as in effect on the date of this Agreement, shall apply; provided, however, the (i) "ten percent (10%)" shall be substituted for "fifty percent (50%)" in Section 318(a)(2)(C) and in Section 318(a)(3)(C) thereof; and (ii) Section 318(a)(5)(C) shall be disregarded. For purposes of determining Ownership under this paragraph and constructive or indirect Ownership under Section 318(a), Ownership interest of less than ten percent (10%) shall be disregarded, and percentage interests shall be determined on the basis of the percentage of voting interest or value which the Ownership

interest represents, whichever is greater. Related-Party Entities shall be limited to those businesses which are directly or indirectly involved in the provision of service under this Agreement.

SB 1383. Senate Bill 1383 of 2016 approved by the Governor on September 19, 2016, which added Sections 39730.5, 39730.6, 39730.7, and 39730.8 to the Health and Safety Code, and added Chapter 13.1 (commencing with Section 42652) to Part 3 of Division 30 of the Public Resources Code, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants as amended, supplemented, superseded, and replaced from time to time.

SB 1383 Regulations or SB 1383 Regulatory. Refers to the Short-Lived Climate Pollutants (SLCP): Organic Waste Reductions regulations developed by CalRecycle and adopted in 2020 that created Chapter 12 of 14 CCR, Division 7 and amended portions of regulations of 14 CCR and 27 CCR.

Self-Hauler or Self-Haul. A Person who hauls Solid Waste, Organic Waste, or recovered material they have generated to another Person, or as otherwise defined in 14 CCR Section 18982(a)(66). Self-Hauler also includes a landscaper, a Person who Back-Hauls waste or any Contractor removing materials as an incidental part of services provided as defined in Section 1.2.

Service Level. Refers to the size of a Customer's Container and the frequency of Collection service.

Tier One Commercial Edible Food Generator. As defined under 14 CCR Section 18982(a)(7). Tier One Commercial Edible Food Generators include:

1. Supermarket. Full-line, self-service retail store with gross annual sales of Two Million Dollars ($2,000,000), or more, and which sells a line of dry grocery, canned goods, or nonfood items and some perishable items.

2. Grocery Store with a total facility size equal to or greater than 10,000 square feet.

3. Food Service Provider. An entity primarily engaged in providing food services to institutional, governmental, commercial, or industrial locations of others based on contractual arrangements with these types of organizations.

4. Food Distributor. A company that distributes food to entities including, but not limited to, supermarkets, and grocery stores.

5. Wholesale Food Vendor. Business or establishment engaged in the merchant wholesale distribution of food, where food (including fruits and vegetables) is received, shipped, stored, prepared for distribution to a retailer, warehouse, distributor, or other destination.

Tier Two Commercial Edible Food Generator. As defined under 14 CCR Section 18982(a)(7). Tier Two Commercial Edible Food Generators include:

1. Restaurant with 250 or more seats, or a total facility size equal to or greater than 5,000 square feet.

2. Hotel with an on-site food facility and 200 or more rooms.

3. Health facility with an on-site food facility and 100 or more beds.

4. Large Venue. A permanent venue facility that annually seats or serves an average of more than 2,000 individuals within the grounds of the facility per day of operation of the venue facility. For purposes of 14 CCR, Division 7, Chapter 12 and this Agreement, a venue facility includes, but is not limited to, a public, nonprofit, or privately owned or operated stadium, amphitheater, arena, hall, amusement park, conference or civic center, zoo, aquarium, airport, racetrack, horse track, performing arts center, fairground, museum, theater, or other public attraction facility. For purposes of 14 CCR, Division 7, Chapter 12 and this Agreement, a site under common ownership or control that includes more than one Large Venue that is contiguous with other Large Venues in the site, is a single Large Venue. If the definition in 14 CCR Section 18982(a)(39) differs from this definition, the definition in 14 CCR Section 18982(a)(39) shall apply to this Agreement.

5. Large Event. An event, including, but not limited to, a sporting event or a flea market, that charges an admission price, or is operated by a local agency, and serves an average of more than 2,000 individuals per day of operation of the event, at a location that includes, but is not limited to, a public, nonprofit, or privately owned park, parking lot, golf course, street system, or other open space when being used for an event. If the definition in 14 CCR Section 18982(a)(38) differs from this definition, the definition in 14 CCR Section 18982(a)(38) shall apply to this Agreement.

6. A State agency with a cafeteria with 250 or more seats or total cafeteria facility size equal to or greater than 5,000 square feet.

7. A local education agency with an on-site food facility."

Exhibit B1 Single-Family Residential Services

20. Exhibit B1, Section 1 of the Agreement is hereby amended to read as follows:

"1. Solid Waste Collection

Contractor shall Collect Solid Waste in Contractor-provided Carts one (1) time per week from Single-Family Customers and Transport all Solid Waste to the Approved Disposal Facility for Disposal.

Containers:	Carts
Container Sizes:	64-gallons or comparable size standard first Cart
	32-, 64-, and 96-gallons or comparable sizes for additional Container beyond the first (as requested by Customer)
Service Frequency:	One (1) time per week
Service Location:	One (1) direction or two (2) direction side/back-yard Solid Waste Collection service for Single-Family Customers may be available for an additional monthly per-Container fee.

Acceptable Materials: Solid Waste

Prohibited Materials: Recyclable Materials, Organic Materials, Excluded Waste.

Additional Service: Contractor shall provide additional Solid Waste Carts to Single-Family Customers upon request and may charge the "Additional Solid Waste Cart" Monthly Service Rate approved by the Agency.

Contractor shall provide for Collection of up to ten (10) additional bags of Solid Waste from each Customer annually at no additional charge. Solid Waste must be placed in black or grey bags and placed next to their Solid Waste Container for Collection. Single-family Customers will not be required to contact Customer Service for pick-up. During the first year and on an annual basis thereafter, Contractor shall distribute to each Single-Family Customer ten (10) Solid Waste Collection stickers. Single-Family Customers may purchase additional Solid Waste Collection stickers in multiples of 10 by contacting Customer Service. Each additional Solid Waste Collection sticker will be charged at a Rate equal to the weekly collection Rate of a single 32-gallon Container (monthly Rate divided by four). Customers may also place a standing order on their account for collection of additional Solid Waste each bag collected will charged at a Rate equal to the weekly collection Rate of a single 32-gallon Container (monthly Rate divided by four).

Other Requirements: None"

21. Exhibit B1, Section 2 of the Agreement is hereby amended to read as follows:

"2. Recyclable Materials Collection

Contractor shall Collect Recyclable Materials in Contractor-provided Containers one (1) time per week from Single-Family Customers and Transport all Recyclable Materials to the Approved Recyclable Materials Processing Facility for Processing.

Containers: Carts

Container Sizes: 64-, and 96-gallons. Standard Container size is 96-gallon Carts. 64-gallon Carts will be made available, when requested by Customer.

Service Frequency: One (1) time per week on the same day Solid Waste is collected.

Service Location: One (1) direction or two (2) direction Side- or Back-yard Organic Material Collection Service for Single-Family Customers may be available for an additional per-Container fee.

Acceptable Materials: Recyclable Materials

Prohibited Materials: Solid Waste, Organic Materials, Excluded Waste

Additional Service: Single-Family Customers shall receive one (1) Recyclable Materials Cart as standard. Contractor shall provide additional Recyclable Materials Carts to Single-Family Customers upon request and may charge the "Additional Recycling Cart" Monthly Rental Rate approved by the Agency.

Contractor shall establish an "overages" program that allows Single-Family Customers to place additional mixed Recyclable Materials Curbside (in Customer-provided clear plastic bags) or cardboard (tied and bundled no larger than 3' x 3') adjacent to the Recyclable Materials Cart on their regularly-scheduled Collection day at no additional charge to the Customer.

Other Requirements: Contractor shall accept household batteries in the Recyclable Materials program, provided that those batteries have been separately packaged in a sealed, clear plastic bag.

Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Recyclable Materials Container. Prior to assessing such contamination fee, Contractor must provide targeted education (e.g., through the use of a tag on the Container) no less than three times to that specific Customer. Such education shall, at a minimum, notify the Customer of the specific materials that have been incorrectly placed and inform the Customer as to which Container the materials should be placed. Upon assessment of the contamination fee, Contractor shall document the presence of prohibited items through photographic record and make such documentation available to the Customer and/or Agency Contract Manager, upon request."

22. Exhibit B1, Section 3 of the Agreement is hereby amended to read as follows:

"3. Organic Materials Collection

Contractor shall Collect Organic Materials in Contractor-provided Carts one (1) time per week from Single-Family Customers and Transport all Organic Materials to the Approved Organic Materials Processing Facility for Processing.

Containers: Carts

Container Sizes: 64-, and 96-gallons. Standard Container size is 96-gallon Carts. 64-gallon Carts will be made available, when requested by Customer.

Service Frequency: One (1) time per week Seaside: on the same day Solid Waste is collected.

Service Location: One (1) direction or two (2) direction Side- or Back-yard Organic Material Collection Service for Single-Family Customers may be available for an additional per-Container fee.

Acceptable Materials: Organic Waste

Prohibited Materials: Solid Waste, Recyclable Materials, Excluded Waste

Additional Service: Single-Family Customers shall receive one (1) Organic Materials Cart standard. Contractor shall provide additional Organic Materials Carts to Single-Family Customers upon request and may charge the "Additional Organics Cart" Monthly

Service Rate equivalent to fifty (50%) of the Solid Waste monthly Service Rate gallon equivalent.

Contractor shall provide for Collection of up to ten (10) additional bags of Yard Trimmings from each Customer annually at no additional charge. Single-family Customers will not be required to contact Customer Service for pick-up. On an annual basis, Contractor shall distribute to each Single-Family Customer 10 Yard Trimming Collection stickers. Single-Family Customers may purchase additional Yard Trimming stickers in multiples of 10 by contacting Customer Service. Each additional Yard Trimming Collection sticker will be charged at a Rate equal to fifty percent (50%) of the weekly collection Rate of a single 32-gallon Solid Waste Collection Container (monthly Rate x 50% divided by 4).

Customers may also place a standing order on their account for collection of additional Yard Trimmings and each additional Customer-provided can or bundle collected will charge at a Rate equal to the weekly collection Rate of a single 32-gallon Container (monthly Rate divided by four).

Other Requirements: Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Organic Materials Container. Prior to assessing such contamination fee, Contractor must provide targeted education (e.g., through the use of as tag on the Container) no less than three times to that specific Customer. Such education shall at a minimum, notify the Customer of the specific materials that have been incorrectly placed and inform the Customer as to which Container the materials should be placed. Upon assessment of the contamination fee, Contractor shall document the presence of prohibited items through photographic record and make such documentation available to the Customer and/or Agency Contract Manager, upon request."

23. Exhibit B1, Section 6 of the Agreement is hereby amended to read as follows:

"Contractor shall develop and educate Single-Family Customers about the availability of and participation requirements for programs dealing with seasonal or periodic waste management demands that exceed regularly scheduled Collection via outreach through the Customer newsletter and the Contractor website. Contractor shall provide the following seasonal program services to Single-Family Customers at no additional charge:

i) Holiday Tree Collection. Contractor shall Collect from Single-Family Customers whole, un-flocked, and undecorated holiday trees that are placed Curbside during the first two (2) weeks of each year.

ii) Halloween Pumpkins. Contractor shall Collect undecorated raw Holiday Pumpkins from Single-Family Customers that have removed all non-biodegradable debris (candle wax, glue, and paint) and placed the pumpkins in their Organic Material Carts.

iii) Spring Cleaning. Contractor shall provide Single-Family Customers with Spring Cleaning Collection opportunities through the Bulky Item and Reusable Materials Collection Events.

iv) Leaf Season. Contractor Collect from Single-Family Customers up to 10 additional bags of Yard Trimming Materials throughout the year as described in the Yard Trimmings Additional Services section above."

Exhibit B2 Multi-Family Services

24. Exhibit B2, Section 1 of the Agreement is hereby amended to read as follows:

"1. Solid Waste Collection

Contractor shall Collect Solid Waste in Contractor-provided Containers not less than one (1) time per week from Multi-Family Customers and Transport all Solid Waste to the Approved Disposal Facility for Disposal or, at the direction of the Agency Contract Manager (if an additional cost is involved), or the MRWMD (if no additional cost is involved) to the Approved Mixed Waste Processing Facility for Processing prior to Disposal.

Containers:	Carts, Bins, Drop Boxes, Compactors
Container Sizes:	64-, and 96-gallon Carts; 1-, 2-, 3-, 4-, 6-, and 8 - cubic yard Bins; and, 10-, 15-, 20-, 25-, 30-, 35-, and 40- cubic yard Drop Boxes or Compactors (as requested by Customer)
Service Frequency:	Up to six (6) times per week but not less than one (1) time per week, as requested by Customer.
Service Location:	Curbside or other Customer-selected service location at the Multi-Family Premises (push/pull charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Solid Waste
Prohibited Materials:	Recyclable Materials, Organic Materials, Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Multi-Family Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor shall open and close gates, push and/or pull Containers, lock and unlock Containers, or perform other services as reasonably necessary to access and empty Containers (additional charge may apply)."

25. Exhibit B2, Section 2 of the Agreement is hereby amended to read as follows:

"2. Recyclable Materials Collection

Contractor shall Collect Recyclable Materials in Contractor-provided Containers not less than one (1) time per week from Multi-Family Customers and Transport all Recyclable Materials to the Approved Recyclable Materials Processing Facility for Processing.

Containers:	Carts, Bins, Drop Boxes, Compactors
Container Sizes:	64-, and 96-gallon or comparable size Carts; 1-, 2-, and 3-cubic yard Bins; and, 10-, 20-, 30-, and 40- cubic yard Drop Boxes or Compactors (as requested by Customer)
Service Frequency:	Up to six (6) times per week but not less than one (1) time per week (as requested by Customer)
Service Location:	Curbside or other Customer-selected service location at the Multi-Family Premises (difficult to service charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Recyclable Materials
Prohibited Materials:	Solid Waste, Organic Materials, Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Multi-Family Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor shall open and close gates, push and/or pull Containers, lock and unlock Containers, or perform other services as reasonably necessary to access and empty Containers (additional charge may apply). Multi-Family Customers with no greater than once per week individual cart service will receive one (1) Recyclable Materials cart free of additional charge. Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Recyclable Materials Container. Prior to assessing such contamination fee, Contractor must provide targeted education (e.g., through the use of a tag on the Container) no less than three times to that specific Customer. Such education shall, at a minimum, notify the Customer of the specific materials that have been incorrectly placed and inform the Customer as to which Container the materials should be placed. Upon assessment of the contamination fee, Contractor shall document the presence of prohibited items through photographic record and make such documentation available to the Customer and/or Agency Contract Manager, upon request."

26. Exhibit B2, Section 3 of the Agreement is hereby amended to read as follows:

"2. Organic Materials Collection

Contractor shall Collect Organic Materials in Contractor-provided Carts no less than one (1) time per week from Multi-Family Customers and Transport all Organic Materials to the Approved Organic Materials Processing Facility for Processing.

Containers:	Carts
Container Sizes:	64-, and 96-gallon or comparable size Carts (as requested by Customer).
Service Frequency:	Up to three (3) times per week but not less than one (1) time per week, as requested by the Multi-Family Customer.
Service Location:	Curbside or other Customer-selected service location at the Multi-Family Premises (difficult to service charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Organic Materials
Prohibited Materials:	Solid Waste, Recyclable Materials, Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Multi-Family Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Organics Container. Contractor shall document any set-outs classified as Contaminated with photographic evidence of the presence of the Prohibited Material(s) and shall provide such evidence to the Agency Contract Manager or Customer upon request. In the event of a Contaminated set-out, Contractor shall provide Customer with a written warning of the Contamination and instruct the Customer about how to properly separate and place Organic Materials for Collection and Contractor may, at their sole discretion, refuse to Collect the Container until it is no longer Contaminated. In the event that Contractor classifies more than two (2) set-outs in a consecutive three (3) month period as Contaminated, whether Collected or not, Contractor may assess the "Organics Contamination" Rate approved by the Agency under this Agreement if Collected. In the event that Contractor has assessed the Organics Contamination Rate more than two (2) times in a consecutive six (6) month period, Contractor may cancel the Customer's subscription to the Organic Materials program and may prohibit such Customer from subscribing to the program until they demonstrate to the satisfaction of the Contractor or Agency Contract Manager that adequate measures have been implemented to prevent future contamination."

Exhibit B3 Commercial Services

27. Exhibit B2, Section 1 of the Agreement is hereby amended to read as follows:

"1. Solid Waste Collection

Contractor shall Collect Solid Waste in Contractor-provided Containers not less than one (1) time per week from Commercial Customers and Transport all Solid Waste to the Approved Disposal Facility for Disposal or, at the direction of the Agency Contract Manager (if an additional cost is involved), or the MRWMD (if no additional cost is involved) to the Approved Mixed Waste Processing Facility for Processing prior to Disposal.

Containers:	Carts, Bins, Drop Boxes, Compactors.
Container Sizes:	64-, and 96-gallon or comparable size Carts; 1-, 2-, and 3- cubic yard Bins; and, 10-, 20-, 30-, and 40- cubic yard Drop Boxes or Compactors (as requested by Customer).
Service Frequency:	Up to six (6) times per week but not less than one (1) time per week, as requested by Customer.
Service Location:	Curbside; or other Customer-selected service location at the Commercial Premises (difficult to service charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Solid Waste
Prohibited Materials:	Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Commercial Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor shall open and close gates, push and/or pull Containers, lock and unlock Containers, or perform other services as reasonably necessary to access and empty Containers (additional charge may apply). "

28. Exhibit B2, Section 2 of the Agreement is hereby amended to read as follows:

"2. Recyclable Materials Collection

Contractor shall Collect Recyclable Materials and/or Source Separated Recyclable Materials in Contractor-provided Containers not less than one (1) time per week from Commercial Customers and Transport all Recyclable Materials to the Approved Recyclable Materials Processing Facility for Processing or, at Contractor's discretion, to any Person who will make a net payment to Contractor for the delivery of the Source-Separated Recyclable Materials.

Containers:	Carts, Bins, Drop Boxes, Compactors
Container Sizes:	64-, and 96-gallon or comparable size Carts; 1-, 2-, and 3- cubic yard Bins; and, 10-, 20-, 30-, and 40- cubic yard Drop Boxes or Compactors (as requested by Customer)
Service Frequency:	Up to six (6) times per week but not less than one (1) time per week (as requested by Customer)
Service Location:	Curbside or other Customer-selected service location at the Commercial Premises (difficult to service charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Recyclable Materials
Prohibited Materials:	Solid Waste, Organic Materials, Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Commercial Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor shall open and close gates, push and/or pull Containers, lock and unlock Containers, or perform other services as reasonably necessary to access and empty Containers (additional charge may apply). Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Recyclable Materials Container. Prior to assessing such contamination fee, Contractor must provide targeted education (e.g., through the use of a tag on the Container) no less than three times to that specific Customer. Such education shall, at a minimum, notify the Customer of the specific materials that have been incorrectly placed and inform the Customer as to which Container the materials should be placed. Upon assessment of the contamination fee, Contractor shall document the presence of prohibited items through photographic record and make such documentation available to the Customer and/or Agency Contract Manager, upon request. Contractor shall document and report to the Agency Contract Manager and the MRWMD each instance where Contractor delivers Source Separated Recyclable Materials to a Person other than the Approved Recyclable Materials Processing Facility. Such report shall include the Person to whom the materials were delivered, the specific type of materials delivered (e.g., cardboard, metal etc.), the number of Tons, and the amount received in payment for the delivery. "

29. Exhibit B2, Section 3 of the Agreement is hereby amended to read as follows:

"3. Organic Materials Collection

Contractor shall Collect Organic Materials in Contractor-provided Containers one (1) time per week from Commercial Customers and Transport all Organic Materials to the Approved Organic Materials Processing Facility for Processing.

Containers:	Carts, Bins, Drop Boxes, Compactors
Container Sizes:	64-, and 96-gallon or comparable size Carts; 1- and 2- cubic yard Bins; and, 10-, 20-, 30-, and 40- cubic yard Drop Boxes or Compactors (as requested by Customer)
Service Frequency:	Up to six (6) times per week but not less than one (1) time per week, as requested by Customer
Service Location:	Curbside or other Customer-selected service location at the Commercial Premises (difficult to Service charges may apply if service location is not immediately accessible by the Collection vehicle)
Acceptable Materials:	Organic Materials
Prohibited Materials:	Solid Waste, Recyclable Materials, Excluded Waste
Additional Service:	Special pickups requested by a Customer, on days other than their regularly scheduled Collection day, will be available at an approved additional charge. Extra picks ups can be scheduled equating to up to six (6) days per week total service.
Other Requirements:	Contractor shall make contact with Commercial Customers in advance of the start of service to determine appropriate Container sizes and service frequency. Contractor shall open and close gates, push and/or pull Containers, lock and unlock Containers, or perform other services as reasonably necessary to access and empty Containers (additional charge may apply). Contractor may assess a "contamination fee" per event for Customers who have repeatedly (no less than three times in a calendar year) placed more than the allowable volume of prohibited materials in their Organics Container. Contractor shall document any set-outs classified as Contaminated with photographic evidence of the presence of the Prohibited Material(s) and shall provide such evidence to the Agency Contract Manager or Customer upon request. In the event of a Contaminated set-out, Contractor shall provide Customer with a written warning of the Contamination and instruct the Customer about how to properly separate and place Organic Materials for Collection and Contractor may, at their sole discretion, refuse to Collect the Container until it is no longer Contaminated. In the event that Contractor classifies more than two (2) set-outs in a consecutive three (3) month period as Contaminated, whether Collected or not Contractor may assess the "Organics Contamination" Rate approved by the Agency under this Agreement if Collected. In the event that Contractor has

assessed the Organics Contamination Rate more than two (2) times in a consecutive six (6) month period, Contractor may cancel the Customer's subscription to the Organic Materials program and may prohibit such Customer from subscribing to the program until they demonstrate to the satisfaction of the Contractor or Agency Contract Manager that adequate measures have been implemented to prevent future contamination."

Exhibit C Public Education and Outreach Requirements

30. Exhibit C, Section 1 of the Agreement is hereby amended to read as follows:

"1. General Administration

The Agency places the utmost importance on effective public outreach and education in helping residents and businesses fully understand options for and benefits of source reduction, reuse, Recycling, and Composting. General provisions are as follows:

1. Prior to the Commencement Date and by December 1 of each following year during the Term of this Agreement, Contractor shall develop and submit an annual public education plan to promote the programs performed by Contractor under this Agreement. Each public education plan shall specify the target audience for services provided, include upcoming promotions for ongoing and known special events, identify program objectives, individual tasks, public education materials to be developed or updated, opportunities for expanded partnerships, and a time-lines for implementation. Input shall be solicited from the Agency and each plan implementation success shall be measured by deadlines and products developed. Contractor shall meet with the Agency Contract Manager to present and discuss the plan, review the prior year's activities (including direct and in-kind donations made, sponsorships and services provided to Agency-sponsored events) and determine whether community activities and the provision of services to the Agency reflect the needs of Agency staff and their City Council. Agency Contract Manager shall be allowed up to thirty (30) calendar days after receipt to review, request modifications, and approve the plan. . Additionally, beginning December 1 of 2022 for calendar year 2023, Contractor shall include as part of its annually public education plan, an annual diversion plan. The annual diversion plan shall include, at a minimum, an analysis of Solid Waste, Recyclable Material, and Organic Material tons from the prior year that were delivered for Processing by Customer Type and Contractor's proposed plan to decrease the percentage and/or total tons of Solid Waste tons Collected relative to Recyclable Material and Organic Material tons delivered for Processing.

2. The Agency Contract Manager and Contractor shall meet a minimum of one (1) time per calendar quarter to discuss services, outreach, and educational campaigns and request changes or adaptations to the annual public education plan.

3. Contractor shall distribute instructional information, public education, and promotion materials in advance of, and following, commencement of services. This shall entail, at a minimum, distributing program literature with delivery of Containers. Contractor shall use multiple media sources including print, radio television, electronic/ social media, and events to notify Customers of the change in their service provider and to highlight new program offerings. Transition and ongoing sector-specific collateral materials shall be developed and distributed.

4. When developing outreach, educational and promotional materials, Contractor shall work with the Agency to understand goals and objectives, ensure coordinated messaging, then begin drafting the content and developing a graphic mock-up. All outreach and educational materials shall be thematically branded with consistent color, font, look and feel; produced in English and Spanish; and photo-oriented to appeal to varied language and literacy levels. Materials shall also be made available in digital form, and shall be printed double-sided by a Monterey County business on 100% recycled and recyclable paper. Prior to finalizing any collateral materials, and no fewer than four (4) weeks prior to the deadline for distribution, the draft shall be provided to the Agency for a final review. The draft shall then be sent for printing and distribution.

5. All Agency facilities shall receive any and all public education and outreach materials and services provided to the Commercial sector. Contractor shall provide all printed public education materials to Agency offices and facilities to have available for the public that visits those facilities and shall replenish the materials as requested by the Agency Contract Manager.

6. Contractor shall participate in and provide annual funding of at least Twenty-Five Thousand Dollars ($25,000) to the Central Coast Recycling Media Coalition as the service provider for the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside and the Pebble Beach CSD.

7. Contractor shall develop and utilize corrective action notices that will also function as Non-Collection and courtesy notices in clear instances of Customer non-compliance or when the Contractor identifies Prohibited Container Contaminants in a Container. The notices shall include the Generator's requirement to properly separate Discarded Materials into the appropriate Collection Container. Contractor shall develop and maintain a system of keeping records of and following up with Customers who receive Non-Collection Notices during Collection of materials.

8. Contractor shall develop a website specific to its operations in Monterey County, with a section specific to Agency programs and Customers, that will be used to post educational materials for download, highlight program successes and provide Diversion statistics. Contractor shall prepare multi-lingual public education materials in English and Spanish and post the multi-lingual outreach materials on its website.

9. Not less than once per year during each Rate Year, and by January 1, 2022, Contractor shall distribute a mailer designed by the District to each Generator in the Agency that includes information specified in 14 CCR Section 18985.1(a). Such mailer shall be distributed by Contractor to all Residential and Commercial mailing addresses including individual Multi-Family dwelling units and tenants of multi-tenant Commercial properties. Contractor shall also make this notice available in an electronic format through the Contractor's website.

10. In coordination with the MRWMD, Contactor shall distribute Compost coupons to Generators to be able to retrieve Compost from the MRWMD subject to availability and program rules to be defined by MRWMD."

31. Exhibit C, Section 2 of the Agreement is hereby amended to read as follows:

"2. Public Education and Outreach Team

To best achieve the highest possible level of public education and awareness, Contractor has proposed to employ one full-time Environmental Outreach Manager (EOM) a two (2) full-time Environmental Outreach Coordinators (EOC) to develop and implement all public education and outreach activities required by this Agreement for all sectors in the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Pacific Grove, Sand City, and Seaside and the Pebble Beach CSD. and shall serve the MRWMD service area exclusively. The public education and outreach staff shall work with Agency to conduct outreach, promote waste reduction, Recycling, Diversion programs, and provide technical assistance to qualifying Multi-family and Commercial Customers.

As described in Contractor's Proposal, the EOM shall have the following duties and responsibilities:

1. Serve as liaison with the Agency and MRWMD. In this capacity, EOM shall participate in strategy development meetings related to source reduction, reuse, Recycling, and Composting;

2. Participate in community activities and offer support to local service organizations;

3. Develop and maintain relationships with the media, draft press releases; and,

4. Ensure compliance with Agreement(s).

The Contractor's EOCs shall have the following duties and responsibilities:

1. Attend events and meetings in the community to promote Recycling and Diversion programs;

2. Assist with the development and distribution of educational and outreach materials;

3. Develop a thorough understanding of the history and challenges in managing Solid Waste and increasing Recycling and Diversion efforts;

4. Identify recurring contamination issues and proposing solutions;

5. Participate in educational and Participating Agency-sponsored activities as well as workshops, civic and business group meetings, and other community events;

6. Provide tours of Processing Facilities, as appropriate;

7. Create environmental awareness and promoting Recycling throughout the community; and,

8. Provide technical assistance to qualifying Multi-Family and Commercial Service Recipients to comply with SB 1383 by conducting site surveys to right-size Containers and Collection frequency and making recommendations to increase participation and reduce contamination.

Contractor's EOM and EOCs shall, at a minimum, perform the following additional tasks:

9. Work to develop partnerships with and incorporate Agency and MRWMD program and educational activities into Contractor activities, and vice versa;

10. Prepare proposals and presentations to municipal contract entities;

11. Participate and represent Contractor in community activities;

12. Oversee Customer satisfaction of all program services, as described in Exhibit B to the Agreement;

13. Ensure compliance with the Agreement and regulatory agencies having jurisdiction over Contractor's activities;

14. Coordinate, produce, and implement the annual education and outreach plan required by Section 1 of this Exhibit C to the Agreement;

15. Offer annual visits to identify the service needs of each eligible Customer, other than Single-Family Customers, by conducting "Recycling opportunity assessments" of Customer locations and facilities;

16. Manage follow up Recycling opportunity assessments for businesses to conduct a more comprehensive investigation and educational process after the initial review;

17. Provide all Customers with appropriate educational information necessary to make informed, environmentally-forward decisions relative to waste reduction, reuse, and Recycling activities.

18. Maximize the opportunity for initial and sustained program success by seeking to identify a "champion" (ideally a senior manager) at each eligible Commercial and Multi-Family Customer who will serve as a primary contact and advocate for Recycling and Composting programs within the Customer's organization;

19. Help plan service needs for special events and Large Venues with a focus on reducing the Disposal of materials resulting from such events or venues; and,

20. Create and distribute reports as required under this Agreement and/or requested by Agency Contract Manager."

32. Exhibit C, Section 3 of the Agreement is hereby amended to read as follows:

"3. Sector-Specific Activities

The following tables present the public education and outreach activities to be performed by Contractor as minimum requirements under this Agreement. Each Customer Type faces unique waste management opportunities and challenges; therefore, Contractor shall develop targeted, sector-specific educational materials and perform outreach activities as described for each Customer Type.

Any public education and outreach materials provided to schools shall be updated by the Contractor to offer on-going technical assistance to eligible schools and the development and

implementation of curriculum to teach children about Recycling, Composting, Food Scraps, and may include information on the Agency's Edible Food Recovery program to the extent that information is provided by the Agency."

Exhibit D Reporting Requirements

33. Exhibit D of the Agreement is hereby amended to read as follows:

"Records shall be maintained in forms and by methods that facilitate flexible use of data contained in them to structure reports, as needed. Reports are intended to compile recorded data into useful forms of information that can be used to, among other things:

1. Determine and set Rates and evaluate the financial efficacy of operations.
2. Evaluate past and expected progress towards achieving the Contractor's Diversion goals and objectives.
3. Provide concise and comprehensive program information and metrics for use in fulfilling reporting requirements under the Act.
4. Determine needs for adjustment to programs.
5. Evaluate Customer service and complaints.

Quarterly Report Content

Quarterly reports shall be presented by Contractor to show the following information for each month in the reported quarter. In addition, each quarterly report shall show the past four (4) quarters average for data comparison (the first three (3) quarters of the Agreement shall only include the available quarterly information).

1. Tonnage Report
   - Tonnage delivered to each Approved Facility by Customer Type, subtotaling and clearly identifying those Tons that are Disposed and those that are delivered for Processing.
   - Units of Used Oil, E-Waste, U-Waste, and Bulky Items Collected by Customer Type.
2. Customer Report
   - Number of Customers by Customer Type.
   - Number of Containers at each Service Level by Customer Type and program. Summarizing the total gallons of Cart service, cubic yards of Bin service, and pulls and cubic yards or Tons of Drop Box and Compactor service by Customer Type. Report should calculate the average volume of service received per: Single-Family Customer; Multi-Family dwelling unit; Commercial Customer; and, C&D Customer.
   - Number of Bulky Item/Reusable Materials Collection events by Customer Type.
   - Participation percentage by program and Customer Type where the participation percentage is calculated as the number of Customers who have subscribed to or

requested service under the program relative to the number of Customers of that Customer Type subscribing to Solid Waste service. Contractor shall not be required to submit participant Customer names and addresses as part of the regular reporting; however, such information shall be provided to the Agency Contract Manager upon request.

- List of all Commercial and Multi-Family Dwelling Unit Customers with a Solid Waste Service Level of two (2) cubic yards of service capacity per week or more. Such list shall include each such Customer's service address and Solid Waste Container, Recyclable Materials Container, and Organic Materials Container Service Levels.
- The total number of de minimis waivers and physical space constraint waivers granted in the month, including the Generator name and address for each waiver.

3. Agency Services Report

- Agency facility Diversion rate report (i.e., volume of service by Service Type received by each Agency Facility and the percentage of the total Service Levels that are for Diversion services relative to the total).
- Summary report on the programs offered to Agency as described in Exhibit B6 focused on when each service was provided and any issues/concerns identified.

4. Customer Service Report

- Number of Customer calls listed separately by complaints and inquiries (where inquiries include requests for Recycling information, Rate information, etc.). For complaints, list the number of calls separately by category (e.g., missed pickups, scheduled cleanups, billing concerns, damage claims, etc.).
- Number of new service requests for each Customer Type and program.
- Number of events of Discarded Materials being tagged for non-Collection summarized by the reason for tagging (e.g., inclusion of non-Recyclable or non-Compostable materials, improper setout, Hazardous Waste, etc.).
- Number of hits and unique visitors to the Contractor's website.
- Contractor shall maintain a record of all SB 1383 Regulatory non-compliance complaints and responses pursuant to Section 4.9.2 of this Agreement and submit the following information:

  a. Total number of complaints received and total number of complaints investigated

  b. to the extent such information is provided to Contractor, Contractor shall provide copies of documentation recorded for each complaint received, which shall at a minimum include the following information:

     i. The complaint as received;

     ii. The name and contact information of the complainant, if the complaint is not submitted anonymously;

     ii. The identity of the alleged violator, if known;

iii. A description of the alleged violation; including location(s) and all other relevant facts known to the complainant;

iv. Any relevant photographic or documentary evidence submitted to support the allegations in the complaint; and,

v. The identity of any witnesses, if known.

5. Education and Outreach Report

- The quarterly status of activities identified in the public education and outreach plan described in Exhibit C of this Agreement.
- Provide a status report of Contractor's actual activities completed compared to the annual public education plan. For each completed item, document the results including what date the activity was performed, how many Customers were targeted or participated, and what methods were used to accomplish the task, if different from the plan.
- Summarize the Recycling opportunity assessments provided to Customers (reporting Multi-Family separate from Commercial) by identifying the number of Recycling opportunity assessments conducted each month in the most-recently completed quarter, and contact information including address, contact names, telephone number of Persons contacted, number of units (for Multi-Family), and the Solid Waste and Recyclable Materials Service Level for each complex. Include any Service Level changes resulting from such visits.
- Dates, times, and group names of meetings and events attended.

6. Pilot and New Programs Report

For each pilot and/or new program, provide activity related and narrative reports on goals, milestones, and accomplishments. Describe problems encountered, actions taken and any recommendations to facilitate progress. Describe vehicles, personnel, and equipment utilized for each program.

7. Revenue Report

Provide a statement detailing Gross Receipts from all operations conducted or permitted pursuant to this Agreement as required by Section 7.8.

Maintain a list of Customers that are forty-five (45) or more calendar days past due and include the following information for each delinquent account: name; service address; contact information; number of days the account is delinquent; method(s) the Contractor has used to attempt collection of the bad debt including date of such attempt(s); and, identification, if, and when the Contractor plans to or did stop service to a delinquent account.

8. Updated Insurance and Performance Bond

In addition to providing the Agency with Certificates of Insurance (COI) and annual performance bonds (Bonds) when renewed as provided in Sections 9.2.C and 9.3 respectively, Contractor shall

also include copies of Certificates of Insurance and Performance Bonds in the quarterly report in which new COIs and Bonds are provided to the Agency.

Annual Report Content

The annual report shall be the fourth quarterly report plus the following additional information.

1. Summary Assessment

   Provide a summary assessment of the programs performed under this Agreement from Contractor's perspective relative to the financial and physical status of the program. The physical status assessment shall reflect how well the program is operating in terms of efficiency, economy, and effectiveness in meeting all the goals and objectives of this Agreement, particularly the Contractor's Diversion goals. Provide recommendations and plans to improve. Highlight significant accomplishments and problems. Results shall be compared to other similar size communities served by the Contactor in the State.

2. Vehicle Inventory

   Provide a listing of all vehicles used in performing services under this Agreement including the license plate number, VIN, make, model, model year, purchase date, engine overhaul/rebuild date (if applicable), and mileage at December 31.

3. Cost-Based Rate Adjustment Data

   Provide the following information only if Rates are to be determined for the upcoming Rate Period using a cost-based adjustment pursuant to Exhibit E3. With the exception of the "Financial Information" listed below, all other items listed may be requested by the Agency Contract Manager at any time during the Term of the Agreement and Contractor shall comply with that request in a timely fashion.

   Contractor understands that although all materials received by the Agency in connection with this Agreement are intended for the use of the Agency, they are potentially subject to disclosure under the provisions of the Public Records Act. The Agency agrees to hold financial information delivered pursuant to the requirements of this Agreement and marked "CONFIDENTIAL" as confidential and shall not disclose the same unless and to the extent disclosure is required pursuant to Applicable Law. In the event such financial information is requested by any party, Agency shall notify Contractor of the request and shall thereafter disclose the requested information unless Contractor, within five (5) Business Days of receiving notice of the disclosure request: a) requests nondisclosure; b) provides Agency a legally sound basis for the nondisclosure; and, c) agrees to indemnify, defend, and hold Agency harmless in any/all actions brought to require disclosure. This provision shall not be construed to create any legal right or claim that does not exist under the operation of Applicable Law.

   a) Financial Information. Within one hundred twenty (120) calendar days after the close of the Contractor's Fiscal Year (ending September 31), Contractor shall deliver to the Agency one (1) hard copy of the audited consolidated financial statements of Contractor for the preceding Fiscal Year. Financial statements shall include a supplemental combining schedule showing Contractor's results of operations, including the specific revenues and

expenses in connection with the operations provided for in this Agreement from others included in such financial statements. The financial statements and footnotes shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) consistently applied and fairly reflecting the results of operation and Contractor's financial condition. Annual financial statements shall be audited, in accordance with Generally Accepted Auditing Standards (GAAS) by a Certified Public Accountant (CPA) licensed (in good standing) to practice public accounting in the State as determined by the State Department of Consumer Affairs Board of Accountancy, and that the CPA's opinion on Contractor's annual financial statements shall be unqualified, and shall contain the CPA's conclusions regarding the Contractor's accounting policies and procedures, internal controls, and operating policies. The CPA shall perform an evaluation and, if necessary, shall cite recommendations for improvement.

b) Related-Party Entities. As part of the annual reporting requirement, Contractor shall provide the Agency with a copy of each Related-Party Entity's (whose cost of services are not pre-determined in this Agreement on a unit price basis or by a governmental contractor) audited annual financial statements and management letter for that fiscal year, or within ninety (90) calendar days of each Related-Party Entity's fiscal year-end, if timing does not coincide with the annual report date. Financial statements shall be prepared in accordance with GAAP and audited, in accordance with GAAS, by a CPA licensed in the State, and that the CPA's opinion on each Related-Party Entity's annual financial statements shall be unqualified, and that the CPA make available to the Agency (or the Agency's designated representative) such CPA's working papers related to the audit.

Contractor agrees that all financial transactions with all Related-Party Entities shall be approved in advance in writing and disclosed in a separate disclosure letter to the Agency, upon request. This letter shall include, but not be limited to, the following information:

- A general description of the nature of each Related-Party Entity transaction, or type of transaction (if many similar transactions exist) shall be provided, as applicable. Such description shall include for each (or similar) transaction, amounts, specific Related-Party Entity, basis of amount (how amount was determined), description of the allocation methodology used to allocate any common costs, and profit amount. Amounts shall be reconciled to the Related-Party Entity disclosures made in Contractor's annual audited financial statements referred to in this Exhibit.
- At the Agency's request, Contractor shall provide the Agency with copies of working papers or other documentation deemed relevant by the Contractor relating to information shown in the annual disclosure letter.

Operational Information

A. Routes by Customer Type:

1. Number of routes per day.
2. Types of vehicles.
3. Crew size per route.

4. Number of full time equivalent (FTE) routes.

5. Number of accounts and cubic yards scheduled per route.

6. Total route hours per Customer Type per year.

7. Average cost per route.

B. Personnel:

1. Organizational chart.

2. Job classifications and number of employees (e.g., administrative, Customer service representatives, drivers, supervisors, educational staff).

3. Wages by job classification.

4. Number of FTE positions for each job classification.

5. Number of hours per job classification per year.

C. Productivity Statistics:

1. Average Number of accounts per route per day by Customer Type.

2. Average number of setouts per route per day by Customer Type.

3. Average Tons per route per day by vehicle type (i.e., side-loader, front-loader, roll-off).

4. Average cubic yards of Collection scheduled per route.

D. Vehicles:

1. List of collection vehicles including year purchased and mileage.

2. Average age of mobile equipment with oldest and newest.

E. Operational Changes:

1. Number of routes.

2. Staffing.

3. Supervision.

4. Collection services.

Variance Analysis. Provide the following variance analysis for each Customer Type. For any variances greater than five percent (5%) annually, Contractor shall provide sufficient rationale to support variance:

1. Variance analysis comparing current Rate Period to each of the prior Rate Periods of Agreement

2. Variance analysis comparing current Rate Period to each of the future projected Rate Periods.

Allocations. Provide the following allocation data:

1. Provide a concise general explanation of the various allocation methodologies used for each Rate application line item.

2. Provide specific examples of each type of allocation used showing how an entry is reported in the general ledger and ties to the Rate application

3. Provide a statement indicating whether there have been any changes in allocation methods used since the last Rate application. If any allocation methods have changed clearly identify those changes.

Projections. Provide the following projection data:

1. Provide support for the basis for projected Gross Receipts and line item expenses, clearly indicate the supporting calculations and assumptions

2. Provide support for the most-recent twelve (12) months of Tonnage data for Rate Period ending October. Clearly indicate the supporting calculations and assumptions.

5. Collection and Subscription

- The type(s) of Collection service(s) provided, a list of all Hauler Routes serviced, and a record of the addresses served on each Hauler Route.

- A summary of Customer subscription data, including the number of accounts; the total number of Generators enrolled with Contractor for service, listed separately by Service Level and Container type (Cart, Bin, and Drop Box service), separately by Single-Family, Multi-Family, and Commercial Customers, and separately for each type of Discarded Material; and the number of Bulky Items Collections performed.

- The number of C&D Collection sites served and Tonnage Collected.

6. Public Education and Outreach

- A copy of all education and outreach materials provided to Customers that are Generators, or Generators pursuant to Section Exhibit C, Section 1.9, or otherwise used for education and outreach efforts in accordance with Exhibit C of the Agreement,

including, but not limited to: flyers, brochures, newsletters, invoice messaging/billing inserts, and website and social media postings.

- A record of the date and to whom the information was disseminated or direct contact made, in the form of a list that includes: the Generator's address, the type of education or outreach received; the distribution date, and the method of distribution.

- The number of Organic Waste Generators that are Customers and Commercial Edible Food Generators pursuant to Section pursuant to Section Exhibit C, Section 1.9 that received information and the type of education and outreach used.

- For any mass distribution through mailings or bill inserts, the Contractor shall maintain a record of the date, a copy of the information distributed, and the type and number of accounts that received the information.

- A copy of electronic media, including the dates posted of: social media posts, e-mail communications, or other electronic messages.

- The annual public education plan required by Exhibit C of the Agreement for the upcoming then-current calendar year. For example, Contractor submittal of a 2021 annual report in February 2022 shall include Contractor submittal of the annual public education plan for calendar year 2022.

7. Compliance Monitoring and Enforcement

- A summary of the total number of SB 1383 Regulatory non-compliance complaints that were received and reported to the Agency in accordance with Section 4.9.2.

- A copy of written and/or electronic records and documentation for all audits, studies, non-collection event reviews, compliance reviews, and all other inspections conducted pursuant to Section 4.12 of the Agreement."

Exhibit G6 SB 1383 Implementation Plan and Schedule

34. Exhibit G of the Agreement is hereby amended to add the content of Attachment 1 to this Amendment upon review and approval by the Agency Contract Manager:

"Contractor must provide the SB 1383 Implementation Plan and Schedule by January 31, 2022."

III. AMENDMENTS TO AGREEMENT RELATED TO COSTS OF SB 1383 PROGRAMS

Article 7. Franchise Fees and Other Fees

7.3 AB 939/SB 1383 Fee

35. Article 7, Section 7.3 of the Agreement is hereby amended to read as follows:

"The Contractor shall pay an AB 939/ SB1383 Fee to Agency each quarter. The amount of the AB 939/SB 1383 Fee shall be Zero Dollars ($0) in Rate Period One and shall be paid in equal quarterly installments. The amount of the AB 939/SB 1383 Fee shall be Ten Thousand Dollars ($10,000) in

Rate Period Seven and shall be paid in equal quarterly installments. Agency shall use the AB 939/SB 1383 Fee to offset expenses for Agency and/or the MRWMD programs, pilot studies, education and outreach campaigns, reporting, compliance, or other activities involved in compliance with AB 939 and/or SB 1383. The Agency shall retain the sole right to set priorities for the use of its AB 939/SB 1383 Fee. This fee shall be a pass-through cost."

7.7 Adjustment to Fees

36. Article 7, Section 7.7 of the Agreement is hereby amended to read as follows:

"Agency may set other fees or adjust the fees established in this Article from time-to-time during the Term of this Agreement and such adjustments shall be included in the adjustment of Rates as described in Exhibit E.

The amounts of the Administrative Fee, AB 939/SB 1383 Fee, Vehicle Impact Fee, and Litter Abatement Fee for subsequent Rate Periods shall be adjusted annually in accordance with the adjustment method described in Exhibit E, or shall be the amount specified by the Agency."

Exhibit E1 Multi-Index Rate Adjustment Methodology

37. Exhibit E1 of the Agreement is hereby amended to read as follows:

"1. GENERAL

The purpose of this Exhibit E1 is to describe and illustrate the method by which the Agency will calculate the annual adjustment to Rates to reflect changes in various cost indices and changes to Disposal and Processing costs based on Tonnages of materials Collected and changes in Tipping Fees.

The index-based adjustment involves application of indices to various costs that comprise the Total Proposed Annual Costs for Rate Period One (and to Total Calculated Costs for future Rate Periods) to determine the Total Calculated Costs for the coming Rate Period. In addition, Processing and Disposal costs shall be adjusted to reflect actual Tonnage Collected during the most-recently completed Rate Period.

The amount equal to the Total Calculated Costs for the coming Rate Period divided by the Total Calculated Costs for the then-current Rate Period is the Rate Adjustment Factor. The Rate Adjustment Factor is applied to the current Rates to determine the Rates for the coming Rate Period.

The calculation to determine the Rate Adjustment Factor pursuant to this Exhibit E1 is subject to review for accuracy only. Approval of the Rate Adjustment Factor and its application to determine the new Rates is not subject to discretionary approval by the Agency Contract Manager or the City Council. In the event that a calculation is in dispute on the basis of mathematical accuracy or compliance with the terms of this Agreement, Contractor shall not implement new Rates until such dispute is resolved.

In the event that the Annual Percentage Change in the index-based adjustment as calculated by this Exhibit E1 results in a negative Rate Adjustment Factor, the Agency reserves the right to "roll-under" the Rate reduction, such that there is no Rate adjustment in the Rate Period for which the negative

Annual Percentage Change Rate Adjustment Factor would have been applied and defer the dollar value of a negative Rate Adjustment Factor to a subsequent Rate Period(s), using an "Other Adjustment", as a credit against future Rate increase(s).

2. ADJUSTMENT OF TOTAL CALCULATED COSTS

The cost categories of the main components of Total Calculated Costs are presented in detail in Exhibit G2. Adjustments to these components to calculate costs for the coming Rate Period shall be calculated as follows:

A. Total Annual Cost of Operations

1. Labor-Related Costs. The Labor-Related Costs component of Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the ECI.

   For example, in Rate Period Five when calculating the Labor-Related Costs for Rate Period Six, the Labor-Related Costs of Rate Period Five shall be multiplied by one plus the Annual Percentage change in the ECI.

2. Vehicle-Related Costs (excluding Fuel). The Vehicle-Related Costs component of Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI.

3. CNG Fuel Costs. The CNG Fuel Cost component of Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CNG Fuel Index.

4. Other Costs. The Other Costs component of the Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI.

5. Direct Depreciation. Direct Depreciation is Twenty-Five Thousand One Hundred Nine Dollars ($25,109) per year through Rate Period Fifteen and is not annually adjusted. If the Agreement is extended beyond Rate Period Fifteen, direct depreciation shall be zero in any subsequent Rate Periods unless Parties mutually agree to a different amount. Direct Depreciation is a fixed cost and is not subject to inflation.

6. Allocated Costs (Labor, Vehicle, Fuel, and Other Costs). The Allocated Costs (Labor, Vehicle, Fuel, and Other Costs) component for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI.

7. Allocated Depreciation and Start-Up Costs. The Allocated Depreciation and Start-Up Costs shall be Four Thousand Eight Hundred Fifty-Six Dollars ($4,856) per year through Rate Period Fifteen, and are not adjusted annually. If the Agreement is extended beyond Rate Period Fifteen, direct depreciation shall be zero in any subsequent Rate Periods unless Parties mutually agree to a different amount.

Allocated Depreciation and Start-Up Costs are fixed costs and are not subject to inflation.

8. Total Annual Cost of Operations. The Total Annual Cost of Operations for the coming Rate Period equals the sum of the costs calculated in subsections (1) through (7) above.

B. Profit

Profit for the coming Rate Period shall be calculated by dividing the Total Annual Cost of Operations for the coming Rate Period (the value calculated in 2.A.8 above) by an operating ratio and subtracting from the result the Total Annual Cost of Operations for the coming year. The operating ratio shall equal eighty-nine and three tenths percent (89.3%) for Rate Periods Two through Fifteen and in any extension period.

$$\text{Profit} = \frac{\text{Total Annual Cost of Operations for Coming Rate Period}}{\text{Operating Ratio}} - \text{Total Annual Cost of Operations for Coming Rate Period}$$

C. Pass-Through Costs (Costs which are Excluded from the Calculation of Profit)

1. General. Processing Costs for Recyclable Materials, Food Scraps, Yard Trimmings, Residue, Reusable, and C&D, and Disposal Costs shall each be calculated independently by multiplying the per-Ton Tipping Fee of each material type at the Approved Facilities for the coming Rate Period by the total Tons of material Collected for the most-recently completed 12-month period. It is possible that the Processing/Disposal Tipping Fees may adjust at different times than the Rates under this Agreement. In the event that such timing differences occur, Contractor shall include in its Rate application an adjustment to the Processing/Disposal costs for the incremental change in Tipping Fees multiplied by the actual Tonnage Processed/Disposed for that same period.

2. Disposal Costs. The Disposal Costs shall be calculated by multiplying the per-Ton Disposal fee at the Approved Disposal Facility for the coming Rate Period by the total Tons of Solid Waste Collected for the most-recently completed calendar year.

3. Recyclable Materials Processing Costs. The Recyclable Materials Processing Costs shall be calculated by multiplying the Recyclable material per-Ton Tip Fee at the Approved Recyclable Materials Processing Facility for the coming Rate Period by the total Tons of Recyclable Materials Collected for the most-recently completed calendar year.

4. Food Scraps Processing Costs. The Food Scraps Processing Cost shall be calculated by multiplying the per-Ton Food Scraps Processing fee at the Approved Organic Materials processing Facility for the coming Rate Period by the total Tons of Food Scraps Collected for the most-recently completed calendar year.

5. Yard Trimmings Processing Costs. The Yard Trimmings Processing Costs shall be calculated by multiplying the per-Ton Yard Trimmings Processing fee at the Approved Organic Materials Processing Facility for the coming Rate Period by the total Ton of Yard Trimmings Collected for the most-recently completed calendar year.

6. Residue Processing Costs. The Residue Processing Costs shall be calculated by multiplying the per-Ton residue Processing fee at the Approved Disposal Facility for the coming Rate Period by the total Tons of Residue processed for the most-recently completed calendar year as reported by the Facility. Should the MRWMD perform an audit more than once per year or change the annual Residue audit at any time that does not coincide with a Rate Period, any interim rate applied as residue processing costs will be multiplied by the tons charged at this rate and added to the Residue Processing Costs for the coming Rate Period.

7. Reusable Materials Costs. The Reusable Materials Costs (for charges by the operator of Approved Reusable Materials Processing Facility for acceptance of Bulky Items and Reusable Materials) shall be calculated as the Reusable Materials processing fee for the coming Rate Period multiplied by the tons/units of reusable materials processed for the most-recently completed calendar year as reported by the Facility.

8. C&D Materials Processing Costs. The C&D Materials Processing Costs shall be calculated by multiplying the per-Ton Tip Fee at the Approved C&D Processing Facility for the coming Rate Period by the total Tons of C&D Materials Collected for the most-recently completed calendar year.

9. Curbside Supplemental Payment. The Curbside Supplemental Payment shall be reported as a revenue based on the prior year's receipts granted by the State.

10. Interest Expense. The Interest Expense amount is Seven Thousand Three Hundred Ninety-Seven Dollars ($7,397) per year. Interest Expense is a fixed cost and is not subject to inflation.

11. Direct Lease Costs. The Direct Lease Costs amount is Zero Dollars ($0) per year and shall not be adjusted over the Term of the Agreement.

12. Allocated Lease Costs. The Allocated Lease Costs amount is Four Thousand One Hundred Two Dollars ($4,102) for Rate Period Two through Fifteen is not annually adjusted, and shall remain unadjusted in any subsequent Rate Period unless Parties mutually agree to a different amount.

13. Total Pass-Through Costs. Total Pass-Through Costs for the coming Rate Period are the sum of the amounts in subsections (2) through (12) above.

D. Total Calculated Costs before Agency Fees

The Total Calculated Costs before Agency Fees shall be the sum of the Total Annual Cost of Operations, Profit, and Total Pass-Through Costs for the coming Rate Period.

E. Agency Fees (Pass-Through Fees)

1. Franchise Fee. Franchise Fees for the coming Rate Period, which shall equal ten percent (10%) of the Total Calculated Costs, shall be calculated as follows: ((Total Calculated Costs Before Fees + the sum of other Agency Fees) divided by minus (Total Calculated Costs Before Fees + the sum of other Agency Fees) with Agency Fees/Payments specified in Sections 2.E.2 through 2.E.7) and other adjustments, if any, pursuant to Section F).

2. Administrative Fee. The Administrative Fee shall be in an amount prescribed by the Agency. If no revised Administrative Fee is provided by the Agency, the Administrative Fee paid to the Agency during the prior Rate Period shall remain in effect.

3. AB 939 Fee. The AB 939 Fee for the coming Rate Period shall be in an amount prescribed by the Agency. If no revised AB 939 Fee is provided by the Agency, the AB 939 Fee paid to the Agency during the prior Rate Period shall remain in effect.

4. HHW Fee. The HHW Fee for the coming Rate Period shall be in an amount prescribed by the Agency. If no revised HHW Fee is provided by the Agency, the HHW Fee paid to the Agency during the prior Rate Period shall remain in effect.

5. Vehicle Impact Fee. The Vehicle Impact Fee for the coming Rate Period shall be in an amount prescribed by the Agency. If no revised Vehicle Impact Fee is provided by the Agency, the Vehicle Impact Fee paid to the Agency during the prior Rate Period shall remain in effect.

6. Litter Abatement Fee. The Litter Abatement Fee for the coming Rate Period shall be in an amount presided by the Agency. If no revised Litter Abatement Fee is provided by the Agency, the Litter Abatement Fee paid to the Agency during the prior Rate Period shall remain in effect.

7. Rate Application Review Costs. An amount determined by the Agency to reimburse the Contractor for payment of the Agency's costs, including consulting and legal fees associated with determination of Rates under this Exhibit. Such Rate application review costs may or may not be one-time costs and shall be included in subsequent Rate Periods if it is not a one-time cost.

8. Total Agency Fees/Payments. The Total Agency Fees/Payments for the coming Rate Period shall equal costs calculated in Section 2.E.1 through 2.E.7 above; provided, however, that any adjustment in any such fee, whether pursuant to the relevant index or as the result of the decision of Agency, shall be pass-through fees (which are excluded from the calculation of profit) and reflected in the Total Agency Fees/Payments.

F. Other Adjustments

From time to time during the Term of the Agreement, it may be necessary to make other adjustments to the compensation calculations. These adjustments to the compensation

calculations are intended to allow for one-time adjustments for items including, but not necessarily limited to: costs of professional services for Rate reviews, performance reviews, and/or audits; "roll-unders" of Rates from one Rate Period to the next; and, one time programs or services that are mutually agreed upon by the Parties.

As part of this Amendment, Contractor and Agency have agreed to include depreciation and interest costs associated with new SB1383 routes as described in Exhibit 2 of this Amendment and exclude labor associated costs required to operate new routes. To the extent Contractor demonstrates additional labor costs and other operational costs associated with building routes for new Collection services provided by Contractor for SB1383 compliance, Contactor may recover such eligible costs, up to $2,982 in Rate Year 7 and annualized and adjusted annually thereafter, as one-time adjustments until full routes are established and additional route positions and other operational expenses associated with these new routes are incorporated into Contractors' compensation on an ongoing basis.

G. Total Calculated Costs

The Total Calculated Costs for the coming Rate Period shall equal the sum of the Total Annual Cost of Operations, Profit, Total Pass-Through Costs, Total Agency Fees, and Other Adjustments (if applicable), for the coming Rate Period.

3. RATE ADJUSTMENT FACTOR

The Rate Adjustment Factor shall equal the Total Calculated Costs for the coming Rate Period divided by the Total Calculated Costs for the then-current Rate Period, which shall be rounded to the nearest thousandth.

4. ADJUSTMENT OF RATES

Each then-current Rate shall be multiplied by the Rate Adjustment Factor to calculate the effective Rate for the coming Rate Period. The adjustment to each Rate shall be rounded to the nearest cent.

5. EXAMPLES

The following example illustrates the index-based adjustment method for determining Rates for Rate Period Seven. The dollar amounts shown are hypothetical amounts for Total Calculated Costs for Rate Period Six (July 1, 2020 through June 30, 2021) and the adjustment factors are based on assumed changes in the various indices between the average index values for the twelve (12) months ending December 2019 and for the twelve (12) months ending December 2020.

A. Assumptions for Example Adjustment to Contractor's Compensation:

Most-Recently Completed Rate Period = Rate Period Five (July 1, 2019 through June 30, 2020)

Then-current Rate Period = Rate Period Six (July 1, 2020 through June 30, 2021)

Coming Rate Period = Rate Period Seven (July 1, 2021 through June 30, 2022)

Disposal cost for the coming Rate Period = $65.00 per Ton

Recyclable Materials Processing costs for the coming Rate Period = $40.00 per Ton

Yard Trimmings Materials Processing Cost for the coming Rate Period = $42.00 per Ton

Food Scraps Processing cost for the coming Rate Period = $57.00 per Ton

C&D Processing Cost for the coming Rate Period = $57.63 per Ton

Annual Percentage Change in the CPI-U = 0.017

Annual Percentage Change in the ECI = 0.027

Annual Percentage Change in the District Rate for CNG = 0.00

Tonnages for the most-recently completed Rate Period:

Solid Waste – 1,072.70 Tons

Yard Trimmings Materials – 20.30 Tons

Food Scraps – 75.70 Tons

Recyclable Materials – 337.70 Tons

C&D – 0.00 Tons

Residue – 91.18 Tons

Note: All values presented in this table are hypothetical and used for illustrative purposes only.

TABLE 1
Calculation of Total Calculated Costs for Rate Period Seven

	Rate Period Six	Adjustment Factor	Rate Period Seven
Annual Cost of Operations			
Labor-Related Costs	$ 51,034	1.027	$ 52,412
Vehicle-Related Costs	$ 20,743	1.017	$ 21,096
Fuel Costs	$ 7,425	1.00	$ 7,425
Other Costs	$ 76,796	1.017	$ 78,102
Direct Depreciation	$ 22,034	N.A.	$ 22,034
Total Allocated Costs - Labor, Vehicle, Fuel & Other	$ 35,217	1.017	$ 35,816
Total Allocated Costs - Depreciation & Start-Up	$ 4,856	N.A.	$ 4,856
Total Annual Cost of Operations	$ 218,106	N.A.	$ 221,741
Profit	$ 26,134	OR=89.3	$ 26,569
Pass-Through Costs			
Disposal Costs	$ 78,070	$65.00 * 1,072.70	$ 69,726
Curbside Supplemental	$ (1,885)	1.00	$ (1,885)
Recycling Processing Costs	$ 16,663	$40.00 * 337.70	$ 13,508
Residue Processing Costs	$ 287	$65.00 * 91.18	$ 5,927
Yard Trimmings Processing Costs	$ 784	$42.00 * 20.30	$ 853
Food Scraps Processing Costs	$ 5,959	$57.00 * 75.70	$ 4,315
C&D Processing Costs	$ -	$57.63 * 0.00	$ -
Interest Expense	$ 6,934	N.A.	$ 6,934
Direct Lease Costs	$ -	N.A.	$ -
Total Allocated Costs - Lease	$ 4,102	N.A.	$ 4,102
Total Pass-Through Costs	$ 110,915	N.A.	$ 103,479
Total Costs before Agency Fees	$ 355,155	N.A.	$ 351,789
Agency Fees/Payments			
Franchise Fee	$ 39,781	10.00%	$ 40,047
AB 939 Fee	$ -	N.A.	$ 10,000
Rate Application Review and District Costs	$ 2,500	Actual	$ 8,718
Other Adjustments (as needed from time to time)			
Residue Processing Costs (Back Pay for 2019-2020)	$ 174	N.A.	$ -
Mailer	$ 199	N.A.	$ -
Adjustment from MRWMD Tip Fee Estimates			$ (80)
Total Calculated Costs	$ 397,809		$ 410,475

A. Example Calculation of the Rate Adjustment Factor and Adjusted Rate for Rate Period Seven

As Seen in Table 1 - Rate Adjustment Factor = $410,475/$397,809 = 1.032

32-gallon Single-Family Rate for Rate Period Seven = $14.68 x 1.032 = $15.15, which shall be effective July 1, 2021.

6. OTHER

If an index described in Exhibit E, Definitions Section is discontinued, the successor index with which it is replaced shall be used for subsequent calculations. If no successor index is

identified by the Bureau of Labor Statistics, the index published by the organization which is most comparable shall be used."

Exhibit E2 Cost-Based Rate Adjustment Methodology

38. Exhibit E2 of the Agreement is hereby amended to read as follows:

"1. GENERAL

The cost-based adjustment involves review of the Contractor's actual cost of operations and operational statistics (staffing levels, routes, route hours, Customers and their service levels, etc.) to determine the actual Total Contractor's Compensation for the most-recently completed Rate Period and to forecast the Total Contractor's Compensation for the coming Rate Period. The difference (measured as a percentage) between the Total Contractor's Compensation for the coming Rate Period and the Gross Receipts most-recently reported calendar year is the "Rate Adjustment Factor". The Rate Adjustment Factor is applied to the then-current Rates to determine the Rates for the coming Rate Period.

The intent of performing the cost-based adjustment is to examine the actual impact of changes in inflation, the number of Customers, and the Service Level of Customers.

In the event that the cost-based adjustment calculated in accordance with this Exhibit E2 results in a negative Rate Adjustment Factor, the Agency reserves the right to "roll-under" the Rate reduction, such that there is no Rate adjustment in the Rate Period for which the negative Rate Adjustment Factor was calculated, but the calculated Rate reduction may be deferred to the following Rate Period, as a credit against future Rate increases.

2. FORECASTING TOTAL CONTRACTOR'S COMPENSATION

A. Forecasting Total Annual Cost of Operations

1. Determine Actual Allowable Total Annual Cost of Operations. Contractor's financial statement, books, and records shall be reviewed to determine Contractor's "Actual Allowable Total Annual Cost of Operations" for the most-recently completed Rate Period to perform all the services in the manner required by this Agreement for each of the following cost categories:

   a. Actual labor-related costs
   b. Actual vehicle-related costs (excluding fuel and depreciation)
   c. Actual fuel costs
   d. Actual other costs (as defined on Form 6D of Exhibit G2)
   e. Direct depreciation costs (in the amount specified in Exhibit E1)
   f. Actual allocated costs (labor, vehicle, general and administrative, and other costs)
   g. Actual allocated costs (depreciation and start-up) (in the amount stated in Exhibit E1)

2. Non-Allowable Costs. The following list of non-allowable costs shall be deducted from the Contractor's actual costs when determining the Actual Allowable Total Annual Cost of Operations.

   a. Labor, equipment, fuel, and start-up costs for personnel and vehicles that are not specified in the Contractor's Proposal forms contained in Exhibit G2.

   b. Payments to directors and/or owners of Contractor unless the amount paid is reasonable compensation for services actually rendered. Reasonableness shall be determined based on available market pricing for similar services and shall be in the sole discretion of the Agency.

   c. Travel expenses and entertainment (above Five Thousand Dollars ($5,000) annually in total) expenses, unless authorized in advance by the Agency.

   d. Payments to repair damage to public or private property for which Contractor is legally liable.

   e. Fines or penalties of any nature.

   f. Liquidated Damages assessed under this Agreement.

   g. Federal or State income taxes.

   h. Charitable or political donations unless such donation is to a youth, civic, or charitable organization and has been previously approved in writing as an allowable expense by the Agency Contract Manager.

   i. Depreciation or interest expense for Collection vehicles, Containers, other equipment, offices and other facilities if such items are leased as specified in Exhibit G.

   j. Attorney's fees and other expenses incurred by Contractor in any court proceeding in which the Agency and Contractor are adverse Parties.

   k. Attorney's fees and other expenses incurred by Contractor arising from any act or omission in violation of this Agreement.

   l. Attorneys' fees and other expenses incurred by Contractor in any court proceeding in which Contractor's own negligence, violation of law or regulation, or wrong doing are in issue and occasion, in whole or in part, the attorneys' fees and expenses claimed; and attorneys' fees and expenses incurred by Contractor in a court proceeding in which the legal theory or statute providing a basis of liability against Contractor also provides for separate potential liability for the Agency derived from the action of its citizens or Rate payers (such as in a CERCLA lawsuit) unless the Contractor is found not liable in such claims and such claims arise from acts or occurrences within the Term of the Agreement.

m. Payments to Related-Party Entities for products or services, in excess of the cost to the Related-Party Entities for those products or services.

n. Goodwill.

o. Unreasonable profit sharing distributions.

p. Replacement costs for Containers that need to be replaced because the useful life of such Container was less than the Term.

q. Administrative costs greater than the general and administrative costs presented in Contractor's Proposal (Exhibit G2) adjusted annually by one plus the Annual Percentage Change in the CPI.

r. Bad debt write-offs in excess of two percent (2%) of annual Gross Receipts.

3. Forecast Total Annual Costs of Operations. Forecasted Total Annual Cost of Operations for the coming Rate Period shall be calculated based on Actual Allowed Total Cost of Operations for the most-recently completed Rate Period determined in accordance with Sections 2.A.1 and 2.A.2 above. The forecasts shall be performed in the following manner:

a. Forecasted labor-related costs shall be calculated for the coming Rate Period by (i) multiplying the allowed labor-related costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in the ECI, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the ECI.

b. Forecasted vehicle-related costs (excluding fuel and depreciation costs) shall be calculated for the coming Rate Period by (i) multiplying the allowed vehicle-related costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in the CPI, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI.

c. Forecasted fuel costs shall be calculated for the coming Rate Period by (i) multiplying the allowed fuel costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in the District Rate for CNG, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the District Rate for CNG.

d. Forecasted other costs shall be calculated for the coming Rate Period by (i) multiplying the allowed other-related costs for the most-recently completed Rate Period by one plus the Annual Percentage Change in CPI, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI.

e. Forecasted direct depreciation expense shall be the amount specified in

Exhibit G2 for vehicles, Containers, and facilities. Direct depreciation expense is a fixed cost and is not subject to inflation.

f. Forecasted allocated costs (labor, vehicle, fuel, and other) shall be calculated for the coming Rate Period by (i) multiplying the allowed allocated costs (labor, vehicle, fuel, and other) for the most-recently completed Rate Period by one plus the Annual Percentage Change in CPI, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI.

g. Forecasted allocated depreciation and start-up expense shall be the amount specified in Exhibit G2 for vehicles, Containers, and facilities.

h. Forecasted Total Annual Cost of Operations for the coming Rate Period shall equal the sum of the following costs, which shall have been calculated in accordance with the procedures in this Exhibit E2:

(1) Forecasted labor-related costs
(2) Forecasted vehicle-related costs (excluding fuel costs)
(3) Forecasted fuel costs
(4) Forecasted other costs
(5) Forecasted direct depreciation expense
(6) Forecasted allocated costs (labor, vehicle, fuel, and other)
(7) Forecasted allocated costs (depreciation and start-up)

B. Forecast Profit

Contractor shall be entitled to Profit on Forecasted Total Annual Cost of Operations. Profit shall be calculated using an operating ratio of eighty-nine and three tenths percent (89.3%) as proposed by Contractor and described in Exhibit G2. Profit shall be calculated using the following formula:

Profit = (Forecasted Total Annual Cost of Operations / Operating Ratio) – Forecasted Total Annual Cost of Operations

For example:

1. Assuming an operating ratio of 92%
2. Assuming a Forecasted Total Annual Cost of Operations of $1,000,000
3. Profit = ($1,000,000 / 0.92) – $1,000,000 = $86,956.52

C. Forecast Pass-Through Costs (Costs which are excluded from the calculation of Profit)

Pass-Through Costs for the coming Rate Period shall be forecasted in the manner described in Section 2.E of Exhibit E1.

D. Forecast Agency Fees

Agency fees shall be calculated in the manner described in Section 2.E of Exhibit E1.

E. Other Adjustments

Other adjustments may be included in the manner described in Section 2.F of Exhibit E1.

3. PROJECTED GROSS RECEIPTS

Projected Gross Receipts at then-current Rates shall reflect projected annual Gross Receipts from all Customers based on then-current Rates and then-current Customer Service Levels.

4. RATE ADJUSTMENT FACTOR

The Rate Adjustment Factor shall equal the Forecasted Total Calculated Costs for the coming Rate Period divided by the Projected Gross Receipts calculated in accordance with Sections 2 and 3 of this Exhibit E2. The Rate Adjustment Factor shall be rounded to the nearest thousandth.

5. ADJUSTMENT OF RATES

Each then-current Rate shall be multiplied by the Rate Adjustment Factor to calculate the effective Rate for the coming Rate Period."

Exhibit G2 Cost Basis for Proposal

39. Exhibit G2 of the Agreement is hereby amended to add the content of Attachment 2 to this Amendment.

City of Sand City

BY: _____

ITS: _____

GREENWASTE RECOVERY, INC.

BY: _____

ITS: _____

APPROVED AS TO FORM

BY: _____
City Attorney

ATTACHMENT 1:
CONTRACTOR'S IMPLEMENTATION PLAN

(to be provided by GreenWaste Recovery, Inc. on or before January 31, 2022 Subject to the City Agency Contract Manager's review and approval)

ATTACHMENT 2:
CLARIFICATION OF CONTRACTOR'S COMPENSATION – ALLOWABLE SB 1383 COSTS

Greenwaste Recovery, Inc.
SB 1383 Cost Analysis

	Total	Sand City	Del Rey Oaks	Marina	Seaside	Pebble Beach	Carmel	Pacific Grove
Subscription percentage		2.03%	2.44%	18.39%	28.86%	10.12%	15.16%	23.00%
Driver labor	$ 169,086.79	$ 3,432.24	$ 4,119.21	$ 31,087.07	$ 48,806.02	$ 17,117.86	$ 25,637.68	$ 38,886.71
Customer Service/Outreach Allocation	405,080.71	8,223	9,868	74,475	116,924	41,009	61,420	93,161
	574,167.50	11,654.84	13,987.60	105,562.28	165,730.44	58,127.06	87,057.79	132,047.49
Fuel	70,884.35	1,438.86	1,726.85	13,032.28	20,460.40	7,176.13	10,747.79	16,302.04
Vehicle Maintenance Allocation	7,500.00	152.24	182.71	1,378.90	2,164.84	759.28	1,137.18	1,724.86
Vehicle Insurance	9,600.00	194.87	233.87	1,764.99	2,770.99	971.88	1,455.59	2,207.82
Vehicle registration	1,800.00	36.54	43.85	330.93	519.56	182.23	272.92	413.97
Depreciation	151,483.67	3,074.92	3,690.37	27,850.69	43,724.97	15,335.77	22,968.62	34,838.33
Other expenses one-time	19,890.75	403.76	484.57	3,656.97	5,741.36	2,013.68	3,015.92	4,574.49
Other expenses annual	62,588.41	1,270.46	1,524.75	11,507.05	18,065.82	6,336.27	9,489.93	14,394.13
General & Administrative - 7.75%								
	323,747.18	6,571.64	7,886.98	59,521.81	93,447.93	32,775.23	49,087.96	74,455.63
Total cost per year	897,914.69	18,226.48	21,874.58	165,084.09	259,178.37	90,902.29	136,145.75	206,503.12
Carmel specific (see tab)								
Total Costs	897,914.69	18,226.48	21,874.58	165,084.09	259,178.37	90,902.29	136,145.75	206,503.12
Operating Ratio		89.30%	89.30%	89.30%	89.30%	89.30%	85.76%	89.30%
Franchise/Other Fees - Percentage		10.00%	20.00%	15.00%	15.00%	9.00%	13.00%	19.95%
General & Administrative - 7.75%								
Franchise/Other Fees	205,109.64	2,319.22	6,262.70	33,362.58	52,378.51	10,295.75	24,237.91	58,937.30
Profit	113,882.08	2,183.91	2,621.03	19,780.51	31,054.97	10,891.99	22,606.29	24,743.37
Interest (@ subscription percentage)	22,789.96	462.61	555.20	4,190.00	6,578.20	2,307.19	3,455.51	5,241.25
TOTAL	**$ 1,239,696.36**	**$ 23,192.22**	**$ 31,313.51**	**$ 222,417.18**	**$ 349,190.05**	**$ 114,397.22**	**$ 186,445.47**	**$ 295,425.04**
RP7 Final Compensation	**20,348,906**	**$ 506,856**	**$ 492,912**	**$ 3,861,304**	**$ 5,786,438**	**$ 2,050,800**	**$ 3,030,857**	**$ 4,619,739**
"Buffer" Included in RP7	258,624	$ 10,000	$ 5,000	$ -	$ 48,500	$ 61,524	$ 72,600	$ 61,000
Total Proposed Cost Minus RP7 "Buffer"	$ 981,072	$ 13,192	$ 26,314	$ 222,417	$ 300,690	$ 52,873	$ 113,845	$ 234,425
Annual Increase Requested	4.82%	2.60%	5.34%	5.76%	5.20%	2.58%	3.76%	5.07%

	Sand City	Del Rey Oaks	Marina	Seaside	Pebble Beach	Carmel	Pacific Grove
One-Time Increase that will wholly account for SB1383 that will be CPI'd	**2.60%**	**5.34%**	**5.76%**	**5.20%**	**2.58%**	**3.76%**	**5.07%**
RP7 Final Compensation	**$ 506,856**	**$ 492,912**	**$ 3,861,304**	**$ 5,786,438**	**$ 2,050,800**	**$ 3,030,857**	**$ 4,619,739**
SB1383 Costs	$ 23,192	$ 31,314	$ 222,417	$ 349,190	$ 114,397	$ 186,445	$ 295,425
New Revenue Requirement - Annual	**$ 530,048**	**$ 524,226**	**$ 4,083,721**	**$ 6,135,628**	**$ 2,165,197**	**$ 3,217,302**	**$ 4,915,164**
Less Buffer (Accrued over 12-months, use over 6-months)	$ 10,000	$ 5,000	$ -	$ 48,500	$ 61,524	$ 72,600	$ 61,000
January 1 Rate Increase Needs to Generate	**$ 13,192**	**$ 26,314**	**$ 222,417**	**$ 300,690**	**$ 52,873**	**$ 113,845**	**$ 234,425**
Rate Increase Will Generate this Amount over 6-months:	6,596	13,157	111,209	150,345	26,437	56,923	117,213
This is the 12-month buffer to be used over 6-months:	10,000	5,000	-	48,500	61,524	72,600	61,000
Total Revenue for GWR (50% Rate Increase for 6-months + Buffer)	**16,596**	**18,157**	**111,209**	**198,845**	**87,961**	**129,523**	**178,213**
We require this to be generated over 6-months	11,596	15,657	111,209	174,595	57,199	93,223	147,713
Surplus/(Under Revenue)	**5,000**	**2,500**	**-**	**24,250**	**30,762**	**36,300**	**30,500**
JULY 1 RATE ADJUSTMENT							
Buffer Included in RP7 Rates (12-months)	10,000	5,000	-	48,500	61,524	72,600	61,000
Generated over 6-months with Jan 1 Increase	6,596	13,157	111,209	150,345	26,437	56,923	117,213
2nd Half of SB1383 Needed Already in Rate Base	6,596	13,157	111,209	150,345	26,437	56,923	117,213
Included in July 1 Rate Basis	**23,192**	**31,314**	**222,417**	**349,190**	**114,397**	**186,445**	**295,425**
Required Rate Basis for July 1 Rate Adjustment	23,192	31,314	222,417	349,190	114,397	186,445	295,425
JULY 1 SURPLUS /(SHORTFALL)	-	-	-	-	-	-	-

AGENDA ITEM
5B.

9:45 AM MEETING ADJOURN TO RE-CONVENE AT PHYSICAL LOCATION: Panera Bread, 2080 California Avenue, Suite C, Sand City, California 93955 Time: 10:00 A.M. 1) Walking Tour of the Monterey-Salinas Transit SURF Busway and Bus Rapid Transit (BRT) Project